FINANCIAL STATEMENTS OF THE ENTERPRISES
OF THE GOUVERNEMENT DU QUÉBEC

1987-1988

Publication prepared under
the authority of the Minister
of Finance

Gouvernement du Québec
Ministère des Finances

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I am pleased to present this publication, which includes the financial statements of most of the Government's enterprises.

Although these financial statements are usually tabled in the National Assembly, we are grouping them together in this volume for easier consultation and analysis of the financial position and operating results of the various enterprises.

Gérard D. Levesque
Minister of Finance

Québec, February 1989

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AGENCE QUÉBÉCOISE DE VALORISATION
INDUSTRIELLE DE LA RECHERCHE
R.S.Q., c. A-7.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING FUND		
EXPENDITURE (Note 6)		
Wages and salaries	$553 778	$607 613
Communications	65 994	61 532
Services	134 691	97 238
Other	162 821	153 883
	917 284	920 266
REVENUE		
Interest on deposits and other revenue	5 204	19 134
SURPLUS EXPENDITURE OVER REVENUE	912 080	901 132
Operating grant from the gouvernement du Québec	800 000	725 000
SURPLUS EXPENDITURE OVER GRANT AND REVENUE	112 080	176 132
OPENING SURPLUS	191 310	367 442
CLOSING SURPLUS	$79 230	$191 310
GRANT FUND		
REVENUE		
Royalties earned on financial assistance to promoters: royalties cashed	$653 322	$7 570
Less payment on assistance granted:		
downpayment on principal	449 486	2 993
payment of interest	93 836	4 577
	110 000	
Interest on loans with royalties - commercialized projects	311 884	26 411
	421 884	26 411
Interest:		
on deposits	622 813	891 666
on short-term loans to promoters	14 967	14 525
	637 780	906 191
	1 059 664	932 602
EXPENDITURE		
Financial assistance to promoters written off	2 332 578	685 739
Payment of loan guarantees to promoters	17 938	
Other	220	150
	2 350 736	685 889
SURPLUS EXPENDITURE OVER REVENUE	1 291 072	(246 713)
OPENING SURPLUS	3 313 348	3 066 635
CLOSING SURPLUS	$2 022 276	$3 313 348

AGENCE QUÉBÉCOISE DE VALORISATION INDUSTRIELLE DE LA RECHERCHE

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING FUND		
OPERATING ACTIVITIES		
Surplus expenditure over grant and revenue	$(112 080)	$(176 132)
Item not affecting liquid assets: depreciation on fixed assets	28 464	35 550
	(83 616)	(140 582)
Change in current assets and liabilities other than liquid assets	(110 837)	(139 035)
Funds used by operating activities	(194 453)	(279 617)
INVESTMENT ACTIVITIES		
Funds used: acquisition of fixed assets	(5 483)	(46 694)
DECREASE IN LIQUID ASSETS DURING THE YEAR	(199 936)	(326 311)
OPENING LIQUID ASSETS	1 079	327 390
(DEFICIENCY IN LIQUID ASSETS) CLOSING LIQUID ASSETS	$(198 857)	$1 079

The deficiency in liquid assets includes the bank loan and outstanding cheques less cash.

	1988	1987
GRANT FUND		
OPERATING ACTIVITIES		
Surplus expenditure over revenue	$(1 291 072)	$246 713
Items not affecting liquid assets:		
capitalized interest	(43 896)	(4 463)
financial assistance to promoters written off	2 332 578	685 679
	997 610	927 929
Change in current assets and liabilities other than liquid assets	(185 011)	108 073
Funds generated by operating activities	812 599	1 036 002
INVESTMENT ACTIVITIES		
Financial assistance to promoters	(5 857 626)	(7 728 301)
Financial assistance repaid by promoters	449 486	2 993
Funds used by investment activities	(5 408 140)	(7 725 308)
FINANCING ACTIVITIES		
Funds generated: advances from the gouvernement du Québec	10 000 000	
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE FISCAL YEAR	5 404 459	(6 689 306)
OPENING CASH AND TERM DEPOSITS	6 781 872	13 471 178
CLOSING CASH AND TERM DEPOSITS	$12 186 331	$6 781 872

AGENCE QUÉBÉCOISE DE VALORISATION INDUSTRIELLE DE LA RECHERCHE

BALANCE SHEET
as at March 31, 1988

	1988	1987
OPERATING FUND		
ASSETS		
Cash		$1 079
Subsidy to be received by the gouvernement du Québec	$250 000	205 000
Owed by the grant fund	2 000	
Prepaid expenses	6 326	10 395
	258 326	216 474
Fixed assets (Note 3)	85 929	108 910
	$344 255	$325 384
LIABILITIES		
Outstanding cheques less cash	$18 857	
Bank loan	180 000	
Accounts payable and accrued expenses	66 168	$106 413
Owed the grant fund		27 661
	265 025	134 074
Surplus	79 230	191 310
	$344 255	$325 384
GRANT FUND		
ASSETS		
Cash and term deposits (Note 8)	$12 186 331	$6 781 872
Short-term loans to promoters	114 742	121 201
Accounts receivable and accrued interest	282 768	61 637
Owed by the operating fund		27 661
	12 583 841	6 992 371
Financial assistance to promoters (Note 4)	15 440 435	12 320 977
	$28 024 276	$19 313 348
LIABILITIES		
Owed the operating fund	$2 000	
Advances from the gouvernement du Québec (Note 5)	26 000 000	$16 000 000
	26 002 000	16 000 000
Surplus	2 022 276	3 313 348
	$28 024 276	$19 313 348

COMMITMENTS (Note 7)
CONTINGENT LIABILITIES (Note 8)

On behalf of the Board of Directors,

Gilles Bergeron
Réal V. L'Archevêque

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Agence québécoise de valorisation industrielle de la recherche is a corporation founded under a special Act. The purpose of the Agence is to promote technological innovation and contribute to the commercial and industrial application of research results in areas likely to have economic spin-offs for Québec. To such end, it fosters concerted action on the part of industry and the research community.

The Agence may give financial assistance in the form of subsidies, advances and loans, with or without interest, or equity in partnerships. Its aid may take any other form authorized by the Government.

2. Accounting policies

The financial statements of the Agence were prepared by management according to the accrual method and the accounting policies stated below. These statements include amounts based on best judgment and estimates.

Fixed assets

Fixed assets are recorded at cost and depreciated using the diminishing balance method, at the following rates:

	Rate	Method
Furniture and equipment	20%	Diminishing balance
Computer equipment	30%	Diminishing balance
Automobile	30%	Diminishing balance
Leasehold improvements	20%	Straight-line

Financial assistance to promoters

Financial assistance offered to promoters is recorded as an asset in the grant fund and covers eligible expenditures determined by regulation. It bears no interest during the research and development period.

If a project results in a new or improved good or service which is marketed, the financial assistance is grossed up by an amount equal to the interest compounded annually at the variable rate provided by regulation and is refundable in full to the Agence by a royalty on the amount of gross sales of the goods, services or proceeds resulting from the project.

No provision for losses is recorded for research and development projects or for commercialized projects although some of these projects will not give rise to new or improved goods or services which can be marketed for profit. Nevertheless, if the Agence is certain that a portion of the financial assistance provided is non-recoverable, it is recorded as an expenditure in the grant fund.

Royalties

Royalties from financial assistance to promoters are recorded when cashed.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$103 257	$61 437	$41 820	$49 774
Computer equipment	77 765	55 019	22 746	29 513
Automobile	24 422	12 455	11 967	17 095
Leasehold improvements	15 660	6 264	9 396	12 528
	$221 104	$135 175	$85 929	$108 910

4. Financial assistance to promoters

Change in financial assistance to promoters during the year	1988	1987
Opening balance	$12 320 977	$5 276 885
Royalties used as downpayment on the principal of assistance granted	(449 486)	(2 993)
Financial assistance granted	5 857 626	7 728 301
Capitalized interest	43 896	4 463
Financial assistance written off	(2 332 578)	(685 679)
Closing balance	$15 440 435	$12 320 977

The balance breaks down as follows:		
Commercialized projects		
Loans with royalties	$7 714 117	$781 394
Research and development projects		
Loans with royalties	7 614 899	11 138 129
Grants with royalties	62 419	62 454
Investment in limited partnerships	49 000	339 000
	$15 440 435	$12 320 977

5. Advances from the gouvernement du Québec

These advances do not bear interest and are repayable annually, based on the availability of revenue from the grant fund, and at the Government's request.

6. Expenditures

	1988	1987
WAGES AND SALARIES		
Wages and fringe benefits	$476 038	$509 303
Service loans	77 740	98 310
	$553 778	$607 613

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6. Expenditures (cont'd)

	1988	1987
COMMUNICATIONS		
Travel and representation	27 645 $	27 954 $
Moving expenses		4 696
Postage and messenger services	7 435	6 381
Telephone	14 784	15 068
Advertising	16 130	7 433
	65 994 $	61 532 $
SERVICES		
Project analysis	83 563 $	68 884 $
Accounting		5 160
Legal	8 005	7 034
Promotion and shows	38 537	13 752
Expenses for meetings of the Board of Directors	2 728	1 690
Other	1 858	718
	134 691 $	97 238 $
OTHER		
Rent and improvements	86 783 $	60 622 $
Equipment rental	5 689	5 046
Maintenance	4 746	2 630
Office supplies	14 110	17 829
Depreciation - furniture and equipment	10 455	12 444
Depreciation - computer equipment	9 748	12 648
Depreciation - automobile	5 129	7 326
Depreciation - leasehold improvements	3 132	3 132
Other	23 029	32 206
	162 821 $	153 883 $

7. Commitments

In addition to the financial assistance paid to promoters, at March 31, 1988 there were agreements signed with promoters totalling $12 113 745 ($11 292 847 in 1987) for projects approved by the Board of Directors as at that date.

8. Contingent liabilities

As at March 31, 1988, the Agence guaranteed bank loans and letters of credit totalling $1 859 425 ($1 814 318 in 1987) to promoters. No provision for loss is recorded for these guarantees. A term deposit in the amount of $2 000 000 has been earmarked for payment of these guarantees, if necessary.

AGENCE QUÉBÉCOISE DE VALORISATION
INDUSTRIELLE DE LA RECHERCHE

AUDITOR'S REPORT

I have examined the balance sheets of the operating fund and grant fund of the Agence québécoise de valorisation industrielle de la recherche as at March 31, 1988 and the statements of revenue, expenditure and surplus, and change in the financial position of the operating fund and grant fund for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Agence as at March 31, 1988 and the results of its operations and the change in its financial position for the year then ended in accordance with the accounting policies disclosed in Note 2, applied on a basis consistent with that of the preceding year.

Rheal Chatelain, F.C.A.
Auditor General of Québec

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
R.S.Q., c. C-2

CUMULATIVE OPERATING RESULTS
for the fiscal year ended December 31, 1987
(in millions of dollars)

	1987	1986
REVENUE		
INVESTMENT EARNINGS		
Interest on bonds	1 619	1 513
Interest and dividends on convertible securities	277	238
Interest on mortgage financing	169	152
Real estate investment income	30	25
Interest on short-term securities - net	176	261
	2 271	2 189
PROFIT AND LOSS ON THE SALE OF SECURITIES		
Bonds	(98)	284
Shares and convertible securities	703	498
Mortgage financing		1
Real estate investments	7	4
Short-term securities	1	3
	613	790
OTHER REVENUE	1	1
	2 885	2 980
EXPENDITURE		
Administration (Note 7)	17	15
Depositors' net income	2 868	2 965
Interest on demand and term deposits - net	16	13
NET REVENUE ASSIGNED TO PARTICIPATION DEPOSIT HOLDERS	2 852	2 952

CHANGE IN CUMULATIVE NET ASSETS
for the fiscal year ended December 31, 1987
(in millions of dollars)

	1987	1986
OPENING NET ASSETS	24 941	22 391
Depositors' net income	2 868	2 965
Depositors' net withdrawal	(465)	(415)
Increase in net assets for the year *	2 403	2 550
CLOSING NET ASSETS	27 344	24 941

* Increase in net assets for the year		
Net increase in investments		
Bonds	903	1 021
Shares and convertible securities	1 415	1 517
Mortgage financing	247	209
Real estate investments	37	136
Short-term securities	(232)	(395)
	2 370	2 488
Net change in other assets and liabilities	33	62
	2 403	2 550

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CUMULATIVE BALANCE SHEET
as at December 31, 1987
(in millions of dollars)

	1987	1986
ASSETS		
INVESTMENTS (notes 3 and 4)		
Bonds	15 627	14 724
Shares and convertible securities	7 957	6 543
Mortgage financing	1 714	1 467
Real estate investments (Note 5)	491	454
Short-term securities	1 173	1 405
	26 962	24 593
INVESTMENT EARNINGS, ACCRUED AND RECEIVABLE	477	445
OTHER ASSETS	20	35
	27 459	25 073
LIABILITIES		
Mortgage loans	70	70
Other liabilities	45	62
	115	132
DEPOSITORS' EQUITY (Note 6)		
General Fund	16 774	15 643
Individual funds	10 570	9 298
	27 344	24 941
	27 459	25 073

On behalf of the Board of Directors,

Jean Campeau
Claude Legault

NOTES TO CUMULATIVE FINANCIAL STATEMENTS
at December 31, 1987
(in millions of dollars)

1. Constitution and activities

A corporation within the meaning of the Civil Code, the Caisse de dépôt et placement du Québec was created by a special Act (R.S.Q., c. C-2 and amendments). It receives all sums entrusted to it under specific legislation.

GENERAL FUND

The General Fund is a collective fund authorized to accept demand, term and participation deposits from approved depositors. Individual funds have only one depositor from whom only participation deposits are accepted.

	1987		1986	
	No. of units	%	No. of units	%
Régie des rentes du Québec	16 188 153	77.1	15 404 074	78.0
Régie de l'assurance automobile du Québec	4 779 102	22.8	4 338 023	21.9
Farm Loan and Forestry Loan Insurance Fund	12 871	0.1	12 871	0.1
	20 980 126	100.0	19 754 968	100.0

INDIVIDUAL FUNDS

Each individual fund has a single depositor which makes participation deposits only. The various individual funds are:

Fund 301

The depositor of Fund 301 is the Government and Public Employees Retirement Plan, unionizable sector, administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 302

The depositor of Fund 302 is the Government and Public Employees Retirement Plan, non-unionizable sector, administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 303

The depositor of Fund 303 is the individual plans administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 304

The depositor of Fund 304 is the pension plan for mayors and municipal councillors, administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 311

The depositor of Fund 311 is the supplemental pension plan for the employees of the Québec construction industry, active contributors, administered by the Office de la construction du Québec.

Fund 312

The depositor of Fund 312 is the supplemental pension plan for the employees of the Québec construction industry, retired contributors, administered by the Commission de la construction du Québec.

NOTES TO CUMULATIVE FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in millions of dollars)

1. Constitution and activities (cont'd)

Fund 313

The depositor of Fund 313 is the supplemental pension plan for employees of the Québec construction industry, additional contributions, administered by the Commission de la construction du Québec.

Fund 330

The depositor of Fund 330 is the Commission de la santé et de la sécurité du travail.

SPECIALIZED PORTFOLIOS

All Funds may acquire participation units in specialized portfolios which constitute pooled funds for investments of a similar category. At December 31, 1986 and 1987, a single specialized property portfolio was in operation. The specialized property portfolio's net equity and net revenue as at December 31 breaks down as follows:

	1987		1986	
	No. of units	%	No. of units	%
General Fund	310 703	62.6	252 970	63.5
Individual Fund 301	88 402	17.8	67 897	17.1
Individual Fund 302	21 154	4.3	16 697	4.2
Individual Fund 303	255	0.1		
Individual Fund 304	178			
Individual Fund 311	22 910	4.6	18 637	4.7
Individual Fund 312	9 859	2.0	7 921	2.0
Individual Fund 313	1 201	0.2	945	0.2
Individual Fund 330	41 435	8.4	33 066	8.3
	496 097	100.0	398 133	100.0

2. Accounting policies

The cumulative financial statements of the Caisse de dépôt were prepared by management according to the accrual method and the accounting policies stated below. They include amounts based on best estimates and judgment.

Cumulative financial statements

The cumulative financial statements of the Caisse de dépôt include the accounts of the General Fund and individual funds. The corresponding summary financial statements are presented in the form of additional information. They also include the accounts for the specialized property portfolio.

Investments

Investments in bonds, mortgage financing, real estate investments, as well as short-term investments are shown at amortized cost. Shares, convertible securities and land are recorded at cost.

Recording of transactions

Purchase and sales transactions of securities are recorded according to their settlement date.

Dividend revenue

Income from dividends is recorded when entered on the shareholders' books.

NOTES TO CUMULATIVE FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in millions of dollars)

2. Accounting policies (cont'd)

Interest on short-term securities - net

This item includes interest earned on short-term securities, interest charges on loans and profits or losses on foreign exchange.

Fixed assets

Purchases of material and equipment are charged to administrative expenses, except for expenses related to the acquisition of telephone, computer and office automation equipment, which are capitalized since January 1, 1984 and depreciated over their service life. Costs incurred as a result of moving to new quarters and other leasehold improvements are written off over the length of the lease.

Foreign currency

Current assets and liabilities in foreign currencies are expressed in terms of Canadian dollars at the exchange rate in effect on the date of the balance sheet. Investments are translated using the exchange rate in effect at the time of the transaction or according to the consideration value set by term contracts. Revenue is expressed at the average exchange rate in effect during each quarter of the fiscal year.

Administration

Administrative expenses are paid by the General Fund and assigned to the various funds according to the weighted assets of each.

3. Investments -- realization value

	1987	1986
Bonds	15 760	15 704
Shares and convertible securities	9 187	8 474
Mortgage financing	1 699	1 486
Real estate investments	598	531
Short-term securities	1 173	1 405
	28 417	27 600

4. Investments - foreign currencies

	1987		1986	
	Book value	Realization value	Book value	Realization value
Bonds	1 516	1 541	1 412	1 423
Shares	1 220	1 228	904	1 022
Short-term securities	1	1	2	2
	2 737	2 770	2 318	2 447

The exchange position exposure on bonds and short-term securities is covered by futures contracts whose value at maturity totalled 1 579 at December 31, 1987 (1 458 in 1986).

NOTES TO CUMULATIVE FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in millions of dollars)

5. Real estate investments

	1987	1986
Land and buildings held directly by funds	8	9
Land and buildings held through the specialized property portfolio *	483	445
	491	454

* The funds underwrite portfolio participation units and participate in the portfolio's net equity and net revenue in proportion to the number of units held.

6. Depositors' equity

Demand and term deposits represent indebtedness on the part of the Caisse de dépôt toward depositors and as such bear interest.

Participation deposits are expressed in units and each unit gives the holder a proportionate share in the net revenue and equity of the fund. At the end of the fiscal quarter, the net revenue of a fund is allocated to the holders of participation deposits. At the beginning of the following quarter, this net revenue is transferred to the depositors' demand deposits account.

	1987	1986
Indebtedness toward depositors		
Demand deposits	95	38
Interest on demand and term deposits	1	1
Net revenue to be allocated	637	643
	733	682
Participation deposit holders' equity		
Participation deposits	26 611	24 259
	27 344	24 941

7. Administrative expenses

	1987	1986
Wages, salaries and fringe benefits	9.0	8.2
Travel expenses	0.5	0.4
Professional fees	2.0	1.1
Insurance	0.3	0.3
Offices	2.0	1.5
Material and equipment	0.8	0.7
Stationery and office supplies	0.2	0.1
Documentation and information	0.5	0.5
Communications	0.9	0.7
Depreciation on fixed assets	1.2	1.1
	17.4	14.6

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

ADDITIONAL INFORMATION
CONDENSED FINANCIAL STATEMENTS FOR FUNDS
BALANCE SHEET
as at December 31, 1987
(in millions of dollars)

	GENERAL FUND	
	1987	1986
ASSETS		
Investments		
Bonds	10 745.5	10 430.8
Shares and convertible securities	4 131.5	3 305.5
Mortgage financing	647.0	532.1
Real estate investments	259.7	200.1
Short-term securities	736.5	944.9
General Fund demand deposits		
	16 520.2	15 413.4
Investment earnings, accrued and receivable	323.0	304.7
Other assets	4.0	21.2
	16 847.2	15 739.3
LIABILITIES		
Demand deposits	149.5	124.1
Revenue payable to depositors	406.0	412.6
Other liabilities	18.3	9.9
	573.8	546.6
PARTICIPATION DEPOSIT HOLDERS' EQUITY	16 273.4	15 192.7
	16 847.2	15 739.3

OPERATING RESULTS
for the fiscal year ended December 31, 1987
(in millions of dollars)

	1987	1986
REVENUE		
Investment earnings		
Interest on bonds	1 124.7	1 059.3
Dividends and interest on convertible securities	143.4	118.2
Interest on mortgage financing	60.4	52.1
Real estate investment earnings	18.2	21.2
Interest on short-term securities - net	118.9	186.6
Interest on General Fund deposits		
	1 465.6	1 437.4
Profit and loss on the sale of investments	306.0	486.5
Other revenue	0.5	0.4
Total revenue	1 772.1	1 924.3
EXPENDITURE		
Administrative expenses	10.3	8.8
Interest on demand and term deposits - net	20.2	22.9
NET REVENUE	1 741.6	1 892.6

INDIVIDUAL FUNDS									
301	302	303	304	311	312	313	330	Total 1987	Total 1986
2 610.2	604.2	15.8	11.0	346.7	162.0	21.2	1 057.8	4 828.9	4 293.6
2 045.2	463.9	10.5	7.6	412.9	157.4	15.2	698.5	3 811.2	3 236.3
290.2	62.4	1.0	0.6	456.6	163.4	25.0	121.2	1 120.4	973.8
89.7	21.4	0.2	0.2	23.3	11.7	1.2	42.0	189.7	147.7
49.4	19.4	0.2		148.0	13.1	12.2	191.3	433.6	456.4
7.1	3.1			13.6	0.9	1.2	5.8	31.7	52.1
5 091.8	1 174.4	27.7	19.4	1 401.1	508.5	76.0	2 116.6	10 415.5	9 159.9
84.0	19.3	0.5	0.3	17.7	6.8	1.0	33.8	163.4	144.8
									2.6
5 175.8	1 193.7	28.2	19.7	1 418.8	515.3	77.0	2 150.4	10 578.9	9 307.3
110.4	26.6	0.6	0.4	31.3	12.5	1.7	49.1	232.6	231.6
3.9	0.6	0.2		2.2	0.9	0.4	0.7	8.9	9.6
114.3	27.2	0.8	0.4	33.5	13.4	2.1	49.8	241.5	241.2
5 061.5	1 166.5	27.4	19.3	1 385.3	501.9	74.9	2 100.6	10 337.4	9 066.1
5 175.8	1 193.7	28.2	19.7	1 418.8	515.3	77.0	2 150.4	10 578.9	9 307.3

262.9	58.5	1.6	1.3	36.1	16.5	2.0	114.2	493.1	450.8
72.3	16.2	0.4	0.2	14.3	5.7	0.4	24.0	133.5	120.2
28.2	6.5			45.1	17.5	2.5	12.8	112.6	101.8
4.9	1.2			1.3	0.6		2.3	10.3	7.4
18.5	5.4	0.2	0.1	12.0	3.1	1.2	17.0	57.5	74.4
1.7	0.6			0.6	0.2	0.1	0.8	4.0	6.0
388.5	88.4	2.2	1.6	109.4	43.6	6.2	171.1	811.0	760.6
172.2	40.6	1.1	0.1	25.9	12.6	0.3	53.6	306.4	304.0
0.3				0.3	0.1			0.7	0.3
561.0	129.0	3.3	1.7	135.6	56.3	6.5	224.7	1 118.1	1 064.9
3.6	0.8			1.0	0.4		1.3	7.1	5.8
557.4	128.2	3.3	1.7	134.6	55.9	6.5	223.4	1 111.0	1 059.1

INVESTMENT REALIZATION VALUE
at December 31, 1987
(in millions of dollars)

	GENERAL FUND	
	1987	1986
Bonds	10 792.6	11 059.1
Shares and convertible securities	4 820.9	4 391.9
Mortgage financing	632.4	525.5
Real estate investments	355.2	274.6
Short-term securities	736.8	945.0
General Fund demand deposits		
	17 337.9	17 196.1

INDIVIDUAL FUNDS									
301	302	303	304	311	312	313	330	Total 1987	Total 1986
2 672.1	615.2	16.1	11.3	352.6	161.6	21.8	1 063.5	4 914.2	4 645.0
2 367.1	519.2	10.7	7.1	472.9	179.8	14.2	774.1	4 345.1	4 077.3
288.7	62.3	1.0	0.6	457.1	163.8	25.1	121.1	1 119.7	998.7
99.0	23.7	0.3	0.2	25.6	12.3	1.3	46.4	208.8	155.0
49.4	19.4	0.2		148.1	13.1	12.2	191.5	433.9	456.6
7.1	3.1			13.6	0.9	1.2	5.8	31.7	52.1
5 483.4	1 242.9	28.3	19.2	1 469.9	531.5	75.8	2 202.4	11 053.4	10 384.7

AUDITOR'S REPORT

I have examined the combined balance sheet of the Caisse de dépôt et placement du Québec as at December 31, 1987, the cumulative statement of operating results, and the statement of change in cumulative net assets for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these combined financial statements present fairly the financial position of these funds as at December 31, 1987 and the results of their operations and change in their net assets for the year then ended in accordance with the accounting policies disclosed in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, February 26, 1988

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC
R.S.Q., c. C-8

REVENUE AND EXPENDITURE AND EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Projects billed	$11 523 410	$10 368 818
Interest on bank deposits	479 230	257 360
Other	85 147	28 970
	12 087 787	10 655 148
EXPENDITURE (Note 6)		
General management	161 018	136 551
Secretariat and legal affairs	406 677	222 974
Monitoring and finances	1 329 139	893 656
Promotion and international affairs	434 081	457 861
Staff and communications	1 555 756	1 208 533
Corporate and marketing development	2 417 950	2 015 134
Industrial and technological information	3 104 188	2 698 057
Vice-President, Operations, Québec	9 339 898	8 758 095
Vice-President, Operations, Montréal	7 413 930	6 707 375
Interest on bank loan	2 761	22 317
	26 165 398	23 120 553
Depreciation on fixed assets	2 351 861	2 205 050
Loss on disposal of fixed assets	45 928	142 706
	28 563 187	25 468 309
Surplus expenditure over revenue	16 475 400	14 813 161
Gouvernement du Québec contribution (Note 7)	18 750 000	17 800 000
SURPLUS REVENUE AND CONTRIBUTION OVER EXPENDITURE	2 274 600	2 986 839
OPENING EQUITY	24 800 553	21 813 714
CLOSING EQUITY	$27 075 153	$24 800 553

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Surplus revenue and contribution over expenditure	$2 274 600	$2 986 839
Items not affecting liquid assets		
Depreciation on fixed assets	2 351 861	2 205 050
Loss on disposal of fixed assets	45 928	142 706
Amounts generated by operations	4 672 389	5 334 595
Change in current assets and liabilities excluding liquid assets	278 825	(2 079 525)
Amounts generated by operating activities	4 951 214	3 255 070
INVESTMENT ACTIVITIES		
Planned equipment purchases	(1 325 460)	
Acquisition of fixed assets	(2 761 699)	(2 807 496)
Employee loans	88 400	60 533
Deferred expenses	(690 361)	(80 790)
Proceeds on disposal of fixed assets	158 154	117 974
Amounts absorbed by investment activities	(4 530 966)	(2 709 779)
INCREASE IN LIQUID ASSETS OVER THE FISCAL YEAR	420 248	545 291
OPENING BANK DEBT	(221 285)	(766 576)
CLOSING BANK DEBT	$198 963	$(221 285)

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$198 963	
Term deposits		$529 822
Accounts receivable	1 944 251	1 977 682
Payments due within one year on loans to employees (Note 3)	45 598	88 400
Work in progress	1 893 271	2 123 729
Prepaid expenses	437 877	536 215
Contribution receivable from a business partner (Note 4)	662 765	
	5 182 725	5 255 848
Loans to employees (Note 3)		45 598
Deposit on acquisition of equipment (Note 4)	662 695	
Fixed assets (Note 5)	22 503 463	22 297 707
Deferred expenses	1 095 363	405 002
	$29 444 246	$28 004 155
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash		$251 107
Bank loan		500 000
Accounts payable and accrued expenses	2 113 861 $	2 061 480
Deposits and advances:		
Work in progress	208 117	334 300
Other	47 115	56 715
	2 369 093	3 203 602
EQUITY	27 075 153	24 800 553
	$29 444 246	$28 004 155

COMMITMENT AND CONTINGENT LIABILITIES (Note 8)

SUBSEQUENT EVENT (N^{O}te 9)

On behalf of the Board of Directors,

Denis Poussart
Guy Goupil

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

1. Constitution and purpose

Incorporated under a special Act, the Centre de recherche industrielle du Québec (CRIQ) is a corporation within the meaning of the Civil Code and is charged with carrying out applied science research, developing processes and products for industry, and gathering and disseminating technological and industrial information.

2. Accounting policies

The financial statements were prepared by management according to the accrual method and the accounting policies described below. These statements include amounts based on best estimates and judgment.

Work in progress

Projects under contract are services that have been performed but have not been billed at year-end and have been recorded at the lesser of expenses incurred and amounts recoverable under contract.

Fixed assets

Fixed assets are recorded at their original cost. Depreciation is calculated using the diminishing balance method at the following rates:

Buildings	5% and 8%
Office furniture and equipment	15% and 20%
Rolling stock	30%
Site development	8%
Computer equipment and software	25% and 30%
Booths	40%

Deferred expenses

Deferred expenses are recoverable costs for certain services. They are charged to operations according to royalties based on client sales. Non-recovered expenses after contract completion are transferred to operations.

Retirement plan

The employer contribution to the Government and Public Employees Retirement Plan (RREGOP) is paid by the gouvernement du Québec and is not shown in the statement of revenue, expenditure and equity.

3. Loans to employees

During the fiscal year ended March 31, 1986, the CRIQ implemented a program promoting the purchase of microcomputers by employees. The program provides for interest-free loans up to $4 000 repayable by payroll deduction over a period not to extend beyond December 31, 1988.

	1988	1987
Loans	$45 598	$133 998
Instalments receivable within one year	45 598	88 400
		$45 598

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Deposit on the acquisition of equipment

In January 1987, the CRIQ reached an agreement with the Association of Canadian Manufacturers (ACM) for the joint acquisition of equipment with a view to installing a development and computer-assisted production demonstration laboratory on CRIQ premises. Under the agreement, the CRIQ pays all amounts required to purchase equipment and the ACM is commited to alloting the CRIQ a $1 million grant as government financial assistance to install the said laboratory. This grant is to be paid immediately. The agreement also provides that all purchased equipment will be the joint property of the CRIQ and the ACM until March 31, 1990, at which time it will become the sole property of the CRIQ.

The total anticipated cost of equipment is approximately $2 375 000. At March 31, 1988, no equipment had as yet been received and, at that date, transactions relating to the acquisition of equipment were as follows:

Total deposit by the Centre	$1 325 460
Contribution receivable from the partner in this project	(662 765)
Deposit on the acquisition of equipment	$662 695

5. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Land	$1 400 929		$1 400 929	$1 400 929
Buildings	17 559 640	$4 020 978	13 538 662	14 085 904
Telephone equipment	878 153	199 090	679 063	697 916
Office furniture	850 451	467 557	382 894	381 550
Laboratory furniture	255 752	139 909	115 843	125 587
Audiovisual equipment	350 296	149 727	200 569	116 415
Rolling stock	67 480	32 611	34 869	32 408
Laboratory equipment	9 143 547	5 433 306	3 710 241	3 507 828
Computer hardware	4 765 153	2 324 760	2 440 393	1 949 170
	$35 271 401	$12 767 938	$22 503 463	$22 297 707

6. Expenditure by category

	1988	1987
Wages, salaries and fringe benefits	$17 342 922	$15 517 228
Other employment expenses	417 805	336 640
Travel expenses	935 792	730 941
Supplies	3 528 166	3 135 794
Services	1 250 245	1 193 299
Energy, taxes and other	1 749 516	1 826 113
Building maintenance	425 486	243 752
Interest on borrowings	2 761	22 317
Bad debts	512 705	114 469
	$26 165 398	$23 120 553

7. Gouvernement du Québec contribution

The Minister of Finance is authorized to pay the CRIQ a total of $105 000 000 over the period April 1, 1985 to March 31, 1990 in one or more instalments, the amount and terms of which are determined by the Government. Payment for fiscal 1988-1989 has been set at $17 500 000. For each subsequent year, this amount must be at least equal to $17 500 000. At March 31, 1988, the balance payable by the Minister of Finance was $50 950 000.

8. Commitment and contingent liabilities

Commitment

The CRIQ entered into an agreement with the Victoriaville CEGEP, the Association des Fabricants de Meubles du Québec inc. and the Association Provinciale de l'Industrie du Bois Ouvré du Québec Inc. to form the Centre de Recherche Industrielle du meuble et du Bois Ouvré Inc. (CRIMBO). Under this agreement, the CRIQ is committed to supplying a form of technical assistance to the CRIMBO during its first three years of operation, from its own human resources, technical, administrative and marketing departments for an amount equalling $304 000. At March 31, 1988, the services provided by the CRIQ on this account amounted to $145 521 ($22 800 at March 31, 1987).

Contingent liabilities

A $2 800 000 lawsuit for damages has been brought against the CRIC. Additional claims totalling $400 000 had also been filed when these financial statements were being prepared. According to the Centre's officers and legal advisors, this will not result in any significant liability. Consequently, no provision has been recorded in the financial statements.

9. Subsequent event

On May 9, 1988, the CRIQ issued bonds with a par value of $5 000 000. The bonds are secured by the gouvernement du Québec and will mature at $1 000 000 per annum, beginning in 1989.

10. Comparative figures

Certain comparative figures from the statement of revenue, expenditure and equity for 1987 have been reclassified to make them consistent with the presentation adopted in 1988.

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Centre de recherche industrielle du Québec as at March 31, 1988, and the statements of revenue, expenditure and equity and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the financial position of the Centre as at March 31, 1988, the results of its operations and the change in its financial position for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 26, 1988

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

R.S.Q., c. D-9.1

STATEMENT OF OPERATING RESULTS AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Revenue from subsidies -- Ministère de l'Enseignement supérieur et de la Science	$2 331 221	$1 488 868
Interest earnings	1[illegible] 002	10 564
Other	5 511	12 600
	2 348 734	1 512 032
EXPENDITURE —— Schedule		
Salaries and wages, regular and casual	823 890	305 611
Transport and communications services	64 059	42 796
Professional and administrative services	287 615	193 646
Rent and equipment rental	213 532	212 122
Materials and supplies	48 459	20 856
Depreciation on fixed assets	97 163	65 127
Maintenance and repairs	10 254	6 767
Interest on bank loan	2 343	17 703
Other expenses		821
External research -- contrats	988 926	185 694
	2 536 241	1 051 143
SURPLUS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE	(187 507)	460 889
OPENING SURPLUS (DEFICIT)	455 759	(5 130)
CLOSING SURPLUS	$268 252	$455 759

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Funds generated by operations		
Surplus (expenditure over revenue) revenue over expenditure	$(187 507)	$460 889
Depreciation	97 163	65 127
	(90 344)	526 016
Change in working capital not including cash		
Prepaid expenses	(7 357)	4 932
Accounts payable and accrued expenses	21 595	9 567
	14 238	14 499
Cash (used for) generated by operations	(76 106)	540 515
INVESTMENT ACTIVITIES		
Additions to fixed assets	(117 695)	(219 490)
Cash used for investment	(117 695)	(219 490)
FINANCING ACTIVITIES		
Repayment of a bank loan		(100 000)
Cash used for financing		(100 000)
(DECREASE) INCREASE IN CASH POSITION	(193 801)	221 025
OPENING CASH POSITION	223 389	2 364
CLOSING CASH POSITION	$29 588	$223 389

	1988	1987
Cash includes the following items:		
Cash	$29 588	
Deposit certificates		$340 000
Bank overdraft		(116 611)
	$29 588	$223 389

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$29 588	
Deposit certificates		$340 000
Prepaid expenses	36 542	29 185
	66 130	369 185
FIXED ASSETS (Note 3)	273 269	252 737
	$339 399	$621 922
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft		$116 611
Accounts payable and accrued expenses	$71 147	49 552
	71 147	166 163
SURPLUS	268 252	455 759
	$339 399	$621 922

On behalf of the Board of Directors,

Pierre Bordeleau, Director

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

NOTES TO FINANCIAL STATEMENTS
for the fiscal year ended March 31, 1988

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1. Nature

The Centre Québécois de Recherche sur les Applications Pédagogiques de l'Ordinateur (A.P.O. Québec) is a non-profit corporation, incorporated by letters patent May 8, 1985 and is under the jurisdiction of the Minister for Higher Education and Science. The Centre promotes research and development in the area of educational applications for the computer: hardware and software, design of a teaching environment and measurement of the impact of the computer as a tool for teaching and learning.

The Centre commenced operations September 4, 1985. Unless the Government decides to extend them, the letters patent will be cancelled March 31, 1991 and the Centre's mandate will terminate at that time.

The Centre's total budgetary envelope, as approved by the Ministère de l'Enseignement supérieur et de la Science, will not exceed $14 000 000.

2. Main accounting policy

These financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policy:

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method.

3. Fixed assets

	1988			1987	
	Cost	Accumulated depreciation	Net book value	Net book value	Depreciation rate
Office equipment and furniture	$259 790	$80 520	$179 270	$182 474	20%
Computer hardware and software	185 809	91 810	93 999	70 263	30%
	$445 599	$172 330	$273 269	$252 737	

Accumulated depreciation for the period amounts to $97 163 ($65 127 in 1987).

4. Contractual commitments

The Centre is carrying out its activities in rented quarters until February 1989. The average minimum annual rent is approximately $200 000.

In addition, the Centre has entered a joint commitment, along with the gouvernement du Québec, in favour of the Université de Montréal, to reimburse the annual salary of its President and Chief Executive Officer for a three-year period ending September 3, 1988.

The Centre has also entered into commitments with individuals, agencies and business firms to carry out research mandates. Additional expenditures of $1 532 634 remain to be incurred under these agreements.

5. Comparative figures

Certain comparative figures from fiscal 1987 have been reclassified to make them consistent with the presentation adopted in 1988.

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

SCHEDULE — TABLE OF EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
ADMINISTRATION	$74 224	$102 284
Salaries and wages, regular and casual	21 366	23 049
Transportation and communications services	146 561	116 873
Professional and administrative services	3 946	6 420
Maintenance and repairs	206 968	212 122
Rent and equipment rental	15 360	13 707
Material and supplies	58 345	45 301
Depreciation on fixed assets	2 343	17 703
Interest on bank loan		821
Other expenses		
	529 113	538 280
COMMUNICATION	107 865	33 257
Salaries and wages, regular and casual	17 471	5 925
Transportation and communications services	45 860	17 167
Professional and administrative services	5 414	
Equipment rental	12 783	4 709
Material and supplies	9 689	5 842
Depreciation on fixed assets		
	199 082	66 900
INTERNAL RESEARCH	641 801	170 070
Salaries and wages, regular and casual	25 222	13 822
Transportation and communications services	95 194	59 606
Professional and administrative services	1 150	
Equipment rental	6 308	347
Maintenance and repairs	20 316	2 440
Material and supplies	29 129	13 984
Depreciation on fixed assets		
	819 120	260 269
	988 926	185 694
EXTERNAL RESEARCH -- CONTRACTS		
	$2 536 241	$1 051 143

CENTRE QUÉBÉCOIS DE RECHERCHE SUR LES APPLICATIONS PÉDAGOGIQUES DE L'ORDINATEUR

AUDITORS' REPORT

To the Board of Directors of the
Centre Québécois de Recherche sur
les Applications Pédagogiques de l'Ordinateur

We have examined the balance sheet of the Centre Québécois de Recherche sur les Applications Pédagogiques de l'Ordinateur as at March 31, 1988 as well as the statement of operating results and surplus for the fiscal year then ended, and have obtained all the information and explanations asked for. Our examination was conducted in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we deemed necessary in the circumstances.

In our opinion, based on the information and explanations supplied to us and as indicated in the books of the Centre, these financial statements present fairly and accurately the state of the Centre's affairs at March 31, 1988, as well as the operating results and change in financial position for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells
Chartered Accountants

May 5, 1988

**CENTRE QUÉBÉCOIS DE VALORISATION
DE LA BIOMASSE**
R.S.Q., c. D-9.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Contributions from the gouvernement du Québec	$2 125 000	$1 750 000
Interest	32 757	27 021
Disposal of fixed assets		4 320
Outside contributions (Note 4)	12 818	3 887
	2 170 575	1 785 228
EXPENDITURE		
Research and development project (see Additional Information 1)		
Information	268 956	69 540
Financing	768 963	443 510
Research	142 515	2 113
Development	168 841	250 720
Purchase of fixed assets	95 000	258 657
Administration	358 838	381 676
	1 803 113	1 406 216
General administration (see Additional Information 2)	510 681	432 969
	2 313 794	1 839 185
SURPLUS EXPENDITURE OVER REVENUE	(143 219)	(53 957)
OPENING SURPLUS	216 870	270 827
CLOSING SURPLUS	$73 651	$216 870

CENTRE QUÉBÉCOIS DE VALORISATION DE LA BIOMASSE

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$4 982	$11 942
Term deposits and accrued interest	498 894	501 283
Accounts receivable	6 701	7 273
Advance to an associated laboratory	62 500	
Expenses charged to coming fiscal year	5 278	16 569
	$578 355	$537 067
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$504 704	$320 197
SURPLUS	73 651	216 870
	$578 355	$537 067

LONG-TERM ASSETS
as at March 31, 1988

	1988	1987
ASSETS		
FIXED ASSETS, at cost		
Computer hardware	$100 177	$95 526
Leasehold improvements	5 680	21 905
Furniture and supplies	61 825	43 895
Research equipment and material	58 657	58 657
	$226 339	$219 983
LONG-TERM CAPITAL		
OPENING BALANCE	$219 983	$143 677
PURCHASES OF FIXED ASSETS		
Out of revenue	28 261	23 936
Out of research and development projects		58 657
	28 261	82 593
	248 244	226 270
DISPOSAL OF FIXED ASSETS		6 287
FIXED ASSETS WRITTEN OFF	21 905	
CLOSING BALANCE	$226 339	$219 983

On behalf of the Board of Directors,

Joël de la Noüe, Director
Marcel Risi, Director

CENTRE QUÉBÉCOIS DE LA VALORISATION DE LA BIOMASSE

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Legal status and type of activities

The Centre québécois de valorisation de la biomasse is a paragovernmental agency incorporated under section 12 of the Act to promote the advancement of science and technology in Québec (R.S.Q., c. D-9.1). The purpose of the Centre is to promote research and development concerning the use of biomass.

2. Accounting principles

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following specific feature, namely, that purchases of fixed assets are recorded as expenditures for the period and their cost is accumulated in the statement of long-term assets without charging depreciation. The statement of long-term assets does not include contributions to associated laboratories for the purchase of equipment since, under the agreements, this is the responsibility of the laboratories.

3. Contributions by the gouvernement du Québec

The Minister of Higher Education and Science is authorized to pay the Centre an amount of $17 500 000 over the period from May 8, 1985 to March 31, 1991. This amount will be paid out in several instalments, the amounts and terms of which will be set by the Government. At March 31, 1988, the balance still to be paid by the Minister was $12 725 000.

4. Outside contributions

Under section 27 of the Order-in-Council incorporating the Centre québécois de valorisation de la biomasse (O.C. 864-85), outside contributions to the Centre's activities must equal a minimum of 15% of the annual Government subsidy beginning the third complete financial year of the Centre's operations. Contributions by outside research collaborators are not necessarily paid at the same rate or same time as expenditure assumed by the Centre.

During the fiscal year ended March 31, 1988, outside contributions totalled $1 429 485 ($166 218 in 1987), or 67.30% (9.50% in 1987) of the Government subsidy. These contributions break down as follows:

	1988	1987
Outside contributions	$12 818	$3 887
Contributions from collaborators in research and development projects (see Additional Information 1)	1 416 667	162 331
	$1 429 485	$166 218

5. Commitments

The Centre has agreed to pay amounts from its budget to fund various research and development activities. At March 31, 1988, amounts committed and payable over the coming fiscal years totalled $833 112. In addition, the Centre signed four draft agreeements with associated laboratories and agreed to pay $3 936 541 over the next three fiscal years covered under the agreement. Under these agreements, the Centre's contributions will equal those of outside partners.

Payments related to a building operating lease expiring on February 28, 1991 total $113 330 and break down as follows: $38 856 in 1989, $38 856 in 1990, and $35 618 in 1991. The Centre must also pay on a monthly basis a share of certain operating expendses incurred by the lessor.

CENTRE QUÉBÉCOIS DE VALORISATION DE LA BIOMASSE

ADDITIONAL INFORMATION
at March 31, 1988

1. Research and development project

	1988			1987
	Total expenditure	Contribution from partners (Note 4)	Total activities generated	Total activities generated
Information				
Professional services	$268 956	$311 997	$580 953	$112 963
Financing				
Professional services	768 963	724 338	1 493 301	544 512
Research				
Professional services	142 515	120 356	262 871	3 019
Development				
Professional services	168 841	5 000	173 841	267 720
Purchase of fixed assets				
Research equipment and material				58 657
Contribution to an associated laboratory to purchase equipment	95 000	254 976	349 976	200 000
	95 000	254 976	349 976	258 657
	1 444 275	1 416 667	2 860 942	1 186 871
Administration				
Wages, salaries and fringe benefits	335 441		335 441	348 398
Transportation and communications	19 689		19 689	26 430
Professional services	3 708		3 708	6 848
	358 838		358 838	381 676
	$1 803 113	$1 416 667	$3 219 780	$1 568 547

2. General administration

	1988	1987
Wages and salaries	$309 983	$260 684
Transportation and communications	72 174	54 076
Professional services	19 904	19 916
Other:		
Rent	27 597	33 910
Stationery and office expenses	37 826	23 324
Telephone	12 741	15 005
Insurance	1 583	1 395
Interest and bank charges	612	723
Fixed assets from revenue	28 261	23 936
	$510 681	$432 969

**CENTRE QUÉBÉCOIS DE VALORISATION
DE LA BIOMASSE**

AUDITORS' REPORT

To the members of the Board of Directors
of the Centre québécois de valorisation de la biomasse

We have examined the balance sheet and statement of long-term assets of the Centre québécois de valorisation de la biomasse as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. Our examination was conducted in accordance with generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting principles described in Note 2, applied on a basis consistent with that of the preceding year.

Maheu Noiseux,
Chartered Accountants

Sainte-Foy, May 5, 1988

**CENTRE QUÉBÉCOIS POUR L'INFORMATISATION
DE LA PRODUCTION (CQIP)**
R.S.Q., c. D-9.1

STATEMENT OF OPERATING RESULTS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Grants	$2 459 882	$4 581 198
Interest	117 584	294 515
Others	18 632	
	2 596 098	4 875 713
EXPENDITURE		
Administration (see Appendix)	970 708	860 448
Communications, representation and travel expenses	97 710	79 057
Office furniture and equipment (Note 2)	2 192	93 730
Conferences and conventions (including audiovisual equipment)	104 183	155 002
Laboratories — computer equipment (Note 2)	1 355 700	3 654 444
	2 530 493	4 842 681
SURPLUS REVENUE OVER EXPENDITURE	$65 605	$33 032

STATEMENT OF CHANGES IN FUNDS
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING FUND		
Opening surplus	$59 482	$26 450
Surplus revenue over expenditure	65 605	33 032
Closing surplus	$125 087	$59 482
FIXED ASSETS FUND		
Opening principal	$4 379 926	$627 353
Acquisition of fixed assets	1 360 518	3 752 573
Closing principal	$5 740 444	$4 379 926

**CENTRE QUÉBÉCOIS POUR L'INFORMATISATION
DE LA PRODUCTION (CQIP)**

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
OPERATING FUND		
CURRENT ASSETS		
Cash	$258 997	$245 907
Term deposits	450 000	3 550 000
Government subsidies receivable		499 000
Accrued interest and other amounts due	16 234	21 247
	$725 231	$4 316 154
FIXED ASSETS FUND (Note 2)		
FIXED ASSETS, at cost		
Office furniture and equipment	$169 542	$167 350
Telephone system	20 190	20 190
Leasehold improvements	11 403	11 403
Audiovisual equipment and kiosk	17 802	15 175
Computer equipment - laboratories	5 521 507	4 165 808
	$5 740 444	$4 379 926
LIABILITIES		
OPERATING FUND		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$122 995	$903 577
Commitments payable	285 173	1 701 236
Deferred revenue	191 976	1 651 859
	600 144	4 256 672
SURPLUS	125 087	59 482
	$725 231	$4 316 154
FIXED ASSETS FUND		
PRINCIPAL	$5 740 444	$4 379 926

On behalf of the Board of Directors,

Roland A. Dugré, Director
Clifford Baronet, Director

CENTRE QUÉBÉCOIS POUR L'INFORMATISATION
DE LA PRODUCTION (CQIP)

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution

This corporation is a non-profit organization incorporated June 6, 1984 under section 12 of the Act to promote the advancement of science and technology in Québec.

Letters patent issued to the corporation were extended by the gouvernement du Québec to March 31, 1991.

2. Specific accounting policies

Fixed assets

Fixed assets are charged entirely to expenditures for the period during which they are acquired.

However, to provide continuity and control over acquisitions, these fixed assets are recorded in a Fixed Assets Fund.

The cost of laboratory - comupter equipment includes the cost of hardware, software and maintenance up to March 31, 1989.

Commitments payable

The corporation records all amounts committed to allocations for computer equipment laboratories for which subsidies were received.

Deferred revenue

Subsidies received for specific projects such as "Conferences and conventions" and "Laboratories" is carried over as planned, uncommitted expenditures.

3. Commitment

This corporation has entered into a commitment under a lease, which will expire March 31, 1989, to pay a minimum annual rent of $74 156.

4. Contingent liability

At March 31, 1988, the "Laboratory - computer equipment" item was not covered by insurance against loss or damages. A draft Order-in-Council has been prepared in which the Government agrees to compensate the corporation for all loss or damages exceeding $10 000.

CENTRE QUÉBÉCOIS POUR L'INFORMATISATION DE LA PRODUCTION (CQIP)

APPENDIX - EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
Administration		
Wages, salaries and fringe benefits	$648 912	$629 053
Rent	78 224	77 196
Supplies	21 575	47 753
Other	9 891	29 457
Management consultants and auditing	55 079	26 362
Data processing	23 100	24 500
Maintenance	26 993	10 818
Upgrading	12 373	7 797
Seminar preparations	8 487	6 482
Interest and bank charges	904	1 030
Information and communications	85 170	
	$970 708	$860 448

AUDITORS' REPORT

To the Chairman and Board of Directors
Centre québécois pour l'informatisation
de la production (CQIP)

We have examined the balance sheet of the Centre québécois pour l'informatisation de la production (CQIP) as at March 31, 1988, as well as the statements of change in funds and operating results for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We received all the information and explanations we requested.

In our opinion, and as best we could determine from the information and explanations provided us, and based on what is shown in the corporation's books, these statements present fairly the financial position of the Centre at March 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Charette, Fortier, Hawey
Touche Ross
Chartered Accountants

Montréal, June 7, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10
GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

CHANGE IN NET ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987		1986	
INCREASES				
Employee contributions (including transfers and purchase of years of service)		401 568		311 448
Gouvernement du Québec participation				
Employer contributions	383 802		289 222	
Interest	776 438		617 966	
Pensions, contribution refunds and transfer of past service upon entry into the Plan	21 465	1 181 705	19 403	926 591
Contributions of other employers		20 748		20 316
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)		686 712		606 157
Other interest earnings		1 842		628
Transfer of certain supplemental pension plans' funds in return for pension credits				(98)
		2 292 575		1 865 042
DECREASES				
Payments to participants				
General Plan				
Pensions and life annuities		78 124		63 779
Contribution refunds		77 842		70 533
Contribution transfers, including interest (Note 8)		27 409		72 012
Supplemental plans of integrated pensions				
Life annuities		3 460		2 862
Contribution refunds		522		388
Contribution transfers, including interest		116		98
		187 473		209 672
NET INCREASE FOR THE YEAR		2 105 102		1 655 370
OPENING NET ASSETS		11 761 966		10 106 596
CLOSING NET ASSETS		13 867 068		11 761 966

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NET ASSETS
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 3)	6 374 449	5 454 726
Cash	1 086	1 332
Funds of certain supplemental pension plans, in process of transfer	653	892
Owed by the gouvernement du Québec (Note 4)	7 496 410	6 366 113
Employer and employee contributions receivable from public agencies (Note 5)	40 080	33 695
Amounts receivable - transfers and purchase of years of service	6 158	5 010
	13 918 836	11 861 768
LIABILITIES		
Management fees, pensions, contribution refunds and transfers payable (Note 7)	19 202	15 074
Excess contributions to be reimbursed (Note 5)	13 721	14 561
Owed to the gouvernement du Québec -- current account	18 845	70 167
	51 768	99 802
NET ASSETS (Note 6)	13 867 068	11 761 966

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

---

1. The Plan and its funding

General

The Government and Public Employees Retirement Plan is a partially defined benefit pension plan providing death and retirement benefits. It also allows for contribution refunds with interest, under certain conditions.

Since July 1, 1973, employees of the Government and eligible public agencies who do not participate in any other pension plan must join the Plan. Certain other employee groups, as defined by regulation, may also be Plan participants.

Financing

Employee contributions cover half of the total cost of the Plan, with the Government and other employers responsible for the balance.

Prior to July 1, 1982, employee contributions covered 5/12 of Plan costs, with the Government and other employers making up the remainder.

2. Accounting policies

The financial statements of the Government and Public Employees Retirement Plan were prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

The Retirement Plan's financial statements include the financial data of the following three funds:

-- Employee contribution fund;
-- Employer contribution fund; and the
-- Supplementary pension plan fund.

Participation deposits in individual funds of the Caisse de dépôt et placement du Québec are recorded at cost.

3. Funds entrusted to the Caisse de dépôt et placement du Québec
(in thousands of dollars)

	1987				1986
	Employee's funds	Employers' funds	SPP funds **	Total	Total
Participation deposits in individual funds -- at cost * (realization value 1987, $6 688 115; 1986, $6 147 715)	5 966 197	97 210	164 500	6 227 907	5 316 502
Demand deposits in the general fund	9 361			9 361	8 487
Accrued interest	89	2		91	78
Revenue receivable from individual funds	130 902	2 424	3 764	137 090	129 659
	6 106 549	99 636	168 264	6 374 449	5 454 726
* Number of units				6 227 907	5 316 502

** Supplemental pension plans

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4. Owed by the gouvernement du Québec

At December 31, 1987, Government commitments towards the Retirement Plan totalled $7 496 410 000 ($6 366 113 000 at December 31, 1986), in addition to the commitments of $1 257 311 000 mentioned in Note 6. These commitments will be met in accordance with terms provided for under legislation.

Change in amount owed by the gouvernement du Québec
(in thousands of dollars)

	1987	1986
Opening balance	6 366 113	5 475 417
Plus:		
Employer contribution	383 802	289 222
Interest on balance due*	776 438	617 966
Contributions from employees taking early retirement	135	1 022
Less:		
Benefits received	30 078	17 514
Closing balance	7 496 410	6 366 113

* Interest is calculated based on the annual yield of RREGOP funds deposited with the Caisse de dépôt et placement du Québec.

5. Policy relating to claims and refunds

In April 1985, the Commission introduced a new standard whereby it neither claims contributions which are insufficient nor reimburses excess contributions when these amounts are under $50. All yearly contributions paid by plan participants in accordance with this standard are thus considered as regular contributions and are set upon receipt of the employer's annual report for the following year. The resulting accounts receivable or payable are not recorded in the statement of net assets. Pursuant to amendments to the Act respecting the Government and Public Employees Retirement Plan voted by the National Assembly during fiscal 1987, the Commission is authorized to apply the above standard for each year of service after 1986.

6. Plan commitments to participating employees

The actuarial service of the Commission conducted a valuation of the Plan in 1986. According to that valuation, Plan commitments at December 31, 1984, excluding those under supplemental pension plans, amounted to $8 405 544 000, calculated according to the "level premium capitalization" method. The actuarial service estimated these commitments at $13 750 592 000 at December 31, 1987. And at that date, the actuarial deficit of commitments over the Plan's resulting net assets was $52 246 000. According to the Commission's accounting records, the breakdown of the actuarial deficit between the employees' and employer's funds is unavailableP.

The following commitments, which are the responsibility of the gouvernement du Québec, must be added to these commitments:

a. all commitments related to years of service transferred to the plan with respect to employees previously covered by the Teachers Pension Plan and to the Civil Service Superannuation Plan;

b. commitments in regard to pension credits granted to certain retirees of the social affairs sector.

6. Plan commitments to participating employees (cont'd)

According to the actuarial valuations produced by the actuarial service of the Commission in 1986, the actuarial commitments of items (a) and (b) totalled $929 718 000 at December 31, 1984. The same service estimated the actuarial commitments at $1 257 311 000 at December 1987.

In the opinion of the actuarial service, these estimates should provide a sufficient reserve in view of the commitments entered into for all benefits vested as of December 31, 1987. These estimates were established on the basis of facts known at the time the financial statements were prepared.

Supplemental pension plans

The actuarial appraisals forecast an actuarial surplus at December 31, 1986 and 1987 of obligations resulting from the transfer of certain supplemental pension plans. The amount of this actuarial surplus as of December 31, 1987 was unavailable as no actuarial valuation had been conducted.

7. Revenue from funds entrusted to the Caisse de dépôt et placement du Québec
(in thousands of dollars)

	1987				1986
	Employees' fund	Employer's fund	SPP funds *	Total	Total
Revenue from participation deposits in individual funds **	654 560	12 682	18 359	685 601	604 908
Interest on demand deposits in the general fund	1 024	65	22	1 111	1 249
	655 584	12 747	18 381	686 712	606 157

* Supplemental pension plans

** This revenue includes gains and losses on the sale of investments totalling $212 753 567 in 1987 ($177 128 000 in 1986).

8. Comparative figures

Certain comparative figures from the statement of change in net assets for 1986 have been reclassified for consistency with the presentation adopted in 1987.

OPINION OF THE ACTUARIAL SERVICE OF THE COMMISSION concerning commitments of the Government and Public Employees Retirement Plan

In June 1986, the actuarial service of the Commission completed an actuarial valuation of this Plan based on data at December 31, 1984.

The purpose of the valuation was to determine future payments in regard to pensions in the course of payment, pensions pending and vested benefits for participants who are still employed.

Commitments arising from the actuarial valuation amounted to $8 405 544 000 on that date, $126 202 000 of which were attributable to pension credits for redeemed services. The amount of actuarial commitments of the Government and Public Employees Retirement Plan described in the first paragraph of Note 6 of these financial statements constitutes a reserve sufficient to cover these payments.

Actuarial service of the Commission

Québec, May 2, 1988

AUDITOR'S REPORT

I have examined the statement of net assets of the Government and Public Employees Retirement Plan as at December 31, 1987 and the statement of change in net assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the net assets of the Plan at December 31, 1987 and the change in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 18, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10

RECEIPTS AND OUTLAYS
for the fiscal year ended December 31, 1987 for the following plans (Note 4)

RECEIPTS

	Employee contributions		Employer contributions		Total receipts (paid to the Consolidated Revenue Fund)	
	1987	1986	1987	1986	1987	1986
Teachers Pension Plan	$102 263 822	$98 095 423	$449 666	$443 223	$102 713 488	$98 538 646
Civil Service Superannuation Plan	35 457 132	34 649 615	22 143 502	22 677 622	57 600 634	57 327 237
Pension plan for members of the Sûreté du Québec	11 842 456	11 184 197			11 842 456	11 184 197
Pension plan for Members of the National Assembly	644 543	612 220			644 543	612 220
Retirement and pension plans for judges (1978)	1 351 302	1 737 906			1 351 302	1 737 906
Retirement protection plan for certain teachers (Note 5)	69 462 202	608			69 462 202	608
	$221 021 457	$146 279 969	$22 593 168	$23 120 845	$243 614 625	$169 400 814

OUTLAYS

	Pensions and life annuities paid		Contribution refunds and transfers		Total outlays (paid from the Consolidated Revenue Fund)	
	1987	1986	1987	1986	1987	1986
Teachers Pension Plan	$273 498 800	$251 133 662	$6 167 815	$5 753 312	$279 666 615	$256 886 974
Civil Service Superannuation Plan	185 574 991	173 845 092	2 124 452	2 114 172	187 699 443	175 959 264
Pension plan for members of the Sûreté du Québec	17 315 716	15 136 883	166 507	190 777	17 482 223	15 327 660
Pension plan for Members of the National Assembly	5 449 255	4 448 460	4 502	107 515	5 453 757	4 555 975
Retirement and pension plans for judges (1978)	3 309 248	3 017 424	29 502	49 407	3 338 750	3 066 831
Pension plan for judges and coroners	2 373 958	2 417 804			2 373 958	2 417 804
Pension plan for comissioners of the Commission des valeurs mobilières du Québec	73 831	96 570			73 831	96 570
Retirement protection plan for certain teachers	20 866 057	8 944 350	15 708	3 140	20 881 765	8 947 490
Special pension plans	72 437	66 086			72 437	66 086
	$508 534 293	$459 106 331	$8 508 486	$8 218 323	$517 042 779	$467 324 654

Michel Sanschagrin
Chairman of the Commission

Michel Lagueux
Director of financial and
material resources

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Pension plans and their funding

General

The Commission administrative des régimes de retraite et d'assurances is responsible for administering the following pension plans:

The Teachers Pension Plan
(R.S.Q., c. R-11 and amendments)
The Civil Service Superannuation Plan
(R.S.Q., c. R-12 and amendments)
The pension plan for members of the Sûreté du Québec
(R.S.Q., c. P-13)
The Legislature Act (R.S.Q., c. L-1 and amendments)
The Act respecting the conditions of employment and the pension plan of the Members of the National Assembly (R.S.Q., c. C-52.1 and amendments)
The retirement and pension plans for judges provided for under sections 225 to 246 of the Courts of Justice Act (R.S.Q., c. T-16 and amendments)
The pension plan for judges provided for under sections 100 to 108.2 of the Courts of Justice Act (R.S.Q., c. T-16 and amendments)
The pension plan for commissioners of the Commission des valeurs mobilières du Québec (R.S.Q., c. V-1)
The retirement protection plan for certain teachers (R.S.Q., c. R-9.1 and amendments)
Special pension plans (R.S.Q., c. P-32 and amendments; S.Q., 1970, c. 6; S.Q., 1978, c. 18 and S.C. 1967-71, 378-73)

Generally speaking, these are partially defined benefit plans and provide death and retirement benefits.

Funding

The pension plan for judges and coroners and that of commissioners of the Commission des valeurs mobilières du Québec are non-contributory. Contribution rates for the other pension plans mentioned above usually range between 7% and 10% of employees' pensionable earnings.

2. Accounting policies

Employee contributions (including redemptions, transfers, interest, less over-contributions), are recorded on a cash basis, as are the contributions of other public employers (including interest). Amounts held by agents at December 31 and turned over to the Commission during the following fiscal year are not included in receipts for the current period. Pensions and life annuities, as well as contribution refunds or transfers and interest, are also recorded on the same basis.

In accordance with the acts and orders-in-council governing the pension plans, receipts are turned over by the Commission to the Consolidated Revenue Fund, from which outlays are made as well.

3. Plan commitments toward participants and Government obligations toward the plans

According to actuarial valuations based on population data at December 31, 1984, the Government's liability toward claimants under the plans covered by these statements amounted to $12 376 135 000 at that date according to the "level premium capitalization" method.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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3. Plan commitments toward participants and Government obligations toward the plans (cont'd)

The Commission's actuarial service estimates the actuarial liability of the plan at December 31, 1987 to be in the order of $17 399 612 000, which details as follows:

	(in thousands of dollars)
The Teachers Pension Plan	10 382 050
The Civil Service Superannuation Plan	4 691 369*
The pension plan for members of the Sûreté du Québec	1 612 219
The pension plan for Members of the National Assembly	110 741
The pension plans for commissioners of the Commission des valeurs mobilières du Québec, judges and coroners and the pension plan for judges (1978)	144 852
The retirement protection plan for certain teachers	458 381
	17 399 612

* At December 31, 1987, $58 195 269 out of a total receivable of $196 476 000 at December 31, 1977 from these agencies had been turned over to the Commission for payment to the Consolidated Revenue Fund for the cost of service prior to December 31, 1975. The balance owed including interest will be paid in annual instalments through the year 2000 at the latest.

In the opinion of the actuarial service, this estimate should be sufficient provision to cover commitments for total vested benefits to December 31, 1986 based on available information at the time these statements were prepared.

4. Policy relating to claims and refunds

In April 1985, the Commission introduced a new standard whereby it neither claims contributions which are insufficient nor reimburses excess contributions when these amounts are under $50. All yearly contributions paid by plan participants in accordance with this standard are thus considered as regular contributions and are set upon receipt of the employer's annual report for the following year. The resulting accounts receivable or payable are not recorded in the statement of net assets. Pursuant to amendments to the Act respecting the Government and Public Employees Retirement Plan voted by the National Assembly during fiscal 1987, the Commission is authorized to apply the above standard for each year of service after 1986.

5. Receipts -- retirement protection plan for certain teachers

Sections 53 and 54 of the Act respecting the retirement plan for certain teachers (R.S.Q., c. R-9.1), in effect since June 1986, stipulates that any amount paid to the Caisse de dépôt et placement du Québec by virtue of the Act respecting the Government and Public Employees Retirement Plan for individuals covered by this Act are transfered to the Consolidated Revenue Fund, after deducting any benefits paid or receivable considering amounts thus transferred.

During fiscal 1987, a total of $69 462 202 was transfered to the Consolidated Revenue Fund by virtue of the above sections.

6. Additional information

Participants of these pension plans made a commitment to redeem pension credits for past service. The unpaid balance of these commitments at December 31, 1987 was approximately $1 220 309 toward the Teachers Pension Plan, $528 506 toward the Civil Service Superannuation Plan, $689 toward the pension plan for Members of the National Assembly, and $257 181 toward the retirement and pension plan for judges (1978).

OPINION OF THE ACTUARIAL SERVICE OF THE COMMISSION
concerning commitments of

The Teachers Pension Plan
The Civil Service Superannuation Plan
The pension plan for members of the
  Sûreté du Québec
The pension plan for Members of the National
  Assembly
The pension plan for judges and coroners
The retirement and pension plans for
  judges (1978)
The pension plan for commissioners of the Commission
  des valeurs mobilières du Québec
The retirement protection plan for certain
  teachers

The actuarial service of the Commission performed a valuation of these plans using data from December 31, 1984.

The purpose of the valuation was to determine future payments in regard to pensions in the course of payment, pensions pending, and vested benefits for participants who are still employed.

The valuation shows commitments totalling $12 376 135 000 at that date. The amount of actuarial commitments of the above-mentioned plans described in the first paragraph of Note 3 of these financial statements constitutes a reserve sufficient to cover these payments.

Actuarial service of the Commission

Québec, May 2, 1988

AUDITOR'S REPORT

I have examined the statement of receipts and outlays for the year ended December 31, 1987 for the following plans:

The Teachers Pension Plan
The Civil Service Superannuation Plan
The pension plan for members of the
  Sûreté du Québec
The pension plan for Members of the National
  Assembly
The pension plan for judges and coroners
The retirement and pension plans for
  judges (1978)
The pension plan for commissioners of the Commission
  des valeurs mobilières du Québec
The retirement protection plan for certain
  teachers and
Special pension plans

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the financial statements present fairly the receipts and outlays of these plans for the year ended December 31, 1987 in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 4, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10
PENSION PLAN FOR MAYORS AND MUNICIPAL COUNCILLORS
R.S.Q., c. R-16

CHANGE IN NET ASSETS
for the fiscal year ended December 31, 1987

	1987		1986	
INCREASES				
Participants' contributions				
Contribution for current service	$588 908		$562 422	
Redemption and transfer of past service	5 982	$594 890	6 157	$568 579
Municipalities' contributions				
Contribution for current service	845 200		780 339	
Redemption and transfer of past service	8 121	853 321	8 644	788 983
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 6)		1 692 405		2 013 755
Other interest earnings		1 616		593
		3 142 232		3 371 910
DECREASES				
Pensions	522 507		313 738	
Contribution refunds and transfers, including interest	351 271	873 778	246 740	560 478
NET INCREASE FOR THE YEAR		2 268 454		2 811 432
OPENING NET ASSETS		17 596 891		14 785 459
CLOSING NET ASSETS		$19 865 345		$17 596 891

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR MAYORS AND MUNICIPAL COUNCILLORS

NET ASSETS
as at December 31, 1987

	1987	1986
ASSETS		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 3)	$19 792 801	$17 565 814
Cash	2 288	19 288
Contributions receivable (Note 4)	146 053	106 081
	19 941 142	17 691 183
LIABILITIES		
Pensions and contribution refunds payable (Note 4)	75 797	94 292
NET ASSETS (Note 5)	$19 865 345	$17 596 891

On behalf of the Commission,
Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR MAYORS AND MUNICIPAL COUNCILLORS

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

1. The Plan and its funding

General

The pension plan for mayors and municipal councillors is an undefined benefit plan subject to the Act respecting retirement plans for the mayors and councillors of municipalities. The Act provides for retirement and death benefits. It also provides for the refund of contributions and accrued interest under certain conditions.

The pension plan is open to members of a municipal council that votes a by-law to join the plan. A year of service is credited for each year of participation.

Financing

A plan participant contributes at the rate of 5.5% of pensionable earnings and may pay a supplementary contribution. The municipality contributes at the rate of 8% of a participant's remuneration.

2. Accounting policies

The financial statements of the pension plan for mayors and municipal councillors were prepared by management in accordance with generally accepted accounting principles and the accounting policy described below. These statements include amounts based on best estimates and judgment.

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at cost.

3. Funds entrusted to the Caisse de dépôt et placement du Québec

	1987	1986
Participation deposits in an individual fund at cost * (realization value 1987, $19 119 950; 1986, $18 401 133)	$19 307 000	$16 933 000
Demand deposits in the General Fund	87 087	46 080
Individual fund revenue receivable	398 714	586 734
	$19 792 801	$17 565 814
* Number of units	19 307	16 933

4. Policy relating to claims and refunds

In April 1985, the Commission introduced a new standard whereby it neither claims contributions which are insufficient nor reimburses excess contributions when these amounts are under $50. All yearly contributions paid by plan participants in accordance with this standard are thus considered as regular contributions and are set upon receipt of the employer's annual report for the following year. The resulting accounts receivable or payable are not recorded in the statement of net assets. Pursuant to amendments to the Act respecting the Government and Public Employees Retirement Plan voted by the National Assembly during fiscal 1987, the Commission is authorized to apply the above standard for each year of service after 1986.

5. Plan commitments toward participants

Being an undefined benefit plan, commitments with respect to benefits payable to participants correspond to the plan's net assets.

6. Revenue from funds entrusted to the Caisse de dépôt et placement du Québec

	1987	1986
Revenue from participation deposits in an individual fund *	$1 686 620	$2 009 376
Interest on demand deposits in the General Fund	5 785	4 379
	$1 692 405	$2 013 755

* Includes $78 275 (1987) and $432 000 (1986) in gains and losses on the sale of investments.

AUDITOR'S REPORT

I have examined the statement of net assets of the pension plan for mayors and municipal councillors as at December 31, 1987 and the statement of change in net assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the net assets of the Plan as at December 31, 1986 and the change in net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 5, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
SPECIAL PENSION PLANS

CHANGE IN NET ASSETS
for the fiscal year ended December 31, 1987

	1987		1986	
INCREASES				
Participants' contributions				
Contributions for current service	$279 669		$262 774	
Redemption and transfer of past services, including interest	9 281	$288 950	15 845	$278 619
Agencies' contributions				
Contributions for current service		460 235		465 541
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)		3 336 680		2 710 553
Other interest earnings		1 110		576
		4 086 975		3 455 289
DECREASES				
Pensions	675 083		537 943	
Contribution refunds and transfers including interest	94 735	769 818	52 564	590 507
NET INCREASE FOR THE YEAR		3 317 157		2 864 782
OPENING NET ASSETS		25 032 247		22 167 465
CLOSING NET ASSETS		$28 349 404		$25 032 247

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION PLANS

NET ASSETS
as at December 31, 1987

	1987	1986
ASSETS		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 3)	$28 095 068	$24 767 087
Cash	7 058	2 153
Contributions receivable (Note 4)	267 083	308 762
	28 369 209	25 078 002
LIABILITIES		
Pensions, contribution refunds and interest payable (Note 4)	19 805	45 755
NET ASSETS (notes 5 and 6)	$28 349 404	$25 032 247

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

SPECIAL PENSION PLANS

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Special pension plans

The special pension plans listed in Note 6 were established by the Government. Management of the plans is the responsibility of the Commission administrative des régimes de retraite et d'assurances under the Act respecting the Government and Public Employees Retirement Plan. The pension plan for employees of the Côte des Neiges hospital centre and the pension plan for former employees of the city of Saint-Laurent are partially defined benefit plans, whereas the others are of the defined benefit type.

2. Accounting policies

The financial statements of the special pension plans were prepared by management in accordance with generally accepted accounting principles and the accounting policy described below. These statements include amounts based on best estimates and judgment.

Participation deposits in an individual fund of the Caisse de dépôt et placement du Québec are recorded at cost.

3. Funds deposited with the Caisse de dépôt et placement du Québec

	1987	1986
Participation deposits in an individual fund -- at cost * (realization value 1987, $27 993 387; 1986, $26 566 927)	$27 391 000	$23 948 000
Demand deposits in the General Fund	79 087	35 759
Individual fund revenue receivable	624 981	783 328
	$28 095 068	$24 767 087
* Number of units	27 391	23 948

4. Policy relating to claims and refunds

In April 1985, the Commission introduced a new standard whereby it neither claims contributions which are insufficient nor reimburses excess contributions when these amounts are under $50. All yearly contributions paid by plan participants in accordance with this standard are thus considered as regular contributions and are set upon receipt of the employer's annual report for the following year. The resulting accounts receivable or payable are not recorded in the statement of net assets. Pursuant to amendments to the Act respecting the Government and Public Employees Retirement Plan voted by the National Assembly during fiscal 1987, the Commission is authorized to apply the above standard for each year of service after 1986.

5. Commitments of one plan toward its participants

An actuarial valuation of the pension plan for employees of the Côte des Neiges hospital centre was carried out by the Commission's actuarial service based on population data at December 31, 1983. The valuation established actuarial commitments of that plan at $15 744 000 at that date, calculated according to the "level premium capitalization" method.

The service also estimated actuarial liabilities of the Plan at December 31, 1987 to be $26 668 975.

In the opinion of the actuarial service, the estimate should be sufficient to cover all commitments with respect to benefits vested at December 31, 1987, based on facts known at the time the financial statements were prepared.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION FUNDS

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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6. Net assets of special pension plans

	1987	1986
Pension plan for the president of the Société d'aménagement de l'Outaouais (O.C. 2660-76)	$135 380	$186 964
Pension plan for the chairman of the Conseil de la Communauté régionale de l'Outaouais (O.C. 2661-76)	266 885	231 426
Pension plan for the chairmen and managing director of the Commission de transport de la Communauté régionale de l'Outaouais (O.C. 2662-76)	409 554	354 044
Pension plan for the chairman and managing director of the Société de transport de la Rive-Sud de Montréal (O.C. 3863-76)	65 431	57 679
Pension plan for the chairman and managing director of the Commission de transport de la Ville de Laval (O.C. 4104-76)	70 335	67 544
Pension plan for the chairman of the Comité exécutif de la Communauté urbaine de Québec (O.C. 2-77)	111 171	111 602
Pension plan for employees of the Côte des Neiges hospital centre (O.C. 397-78, 2497-81)	26 668 975	23 484 012
Pension plan for former employees of the city of Saint-Laurent (O.C. 842-82)	423 815	420 517
Pension plan for former employees of the City of Westmount (O.C. 2174-84)	197 858	118 459
	$28 349 404	$25 032 247

7. Revenue from funds entrusted to the Caisse de dépôt et placement du Québec

	1987	1986
Revenue from participation deposits in an individual fund *	$3 332 191	$2 705 996
Interest on demand deposits in the General Fund	4 489	4 557
	$3 336 680	$2 710 553

* Includes $1 162 000 (1987) and $715 000 (1986) in gains and losses on the sale of investments.

OPINION OF THE ACTUARIAL SERVICE OF THE COMMISSION
concerning commitments of the pension plan for employees of the Côte des Neiges hospital centre

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The actuarial service of the Commission performed an actuarial valuation of this Plan based on data from December 31, 1983.

The purpose of the valuation was to determine future payments in regard to pensions in the course of payment, pensions pending and vested benefits for participants who are still employed.

The valuation revealed commitments amounting to $15 744 000 at that date. The amount of actuarial liabilities of this pension plan, described in the first paragraph of Note 5 of these financial statements, constitutes a reserve sufficient to cover these payments.

Actuarial service of the Commission

Québec, May 2, 1988

AUDITOR'S REPORT

I have examined the statement of net assets of the special pension plans as at December 31, 1987 and the statement of change in net assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the net assets of the plan as at December 31, 1987 and the change in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 13, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
BASIC LIFE INSURANCE PLAN FOR GOVERNMENT, PUBLIC AND PARAPUBLIC EMPLOYEES

SUPPLEMENTARY LIFE INSURANCE PLAN FOR EMPLOYEES AND PENSIONERS OF THE COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
RECEIPTS AND OUTLAYS
for fiscal year ended December 31, 1987

	1987	1986
RECEIPTS		
Basic plan - employer premiums	$122 184	$120 851
Supplementary plan - employee and employer contributions	74 982	68 845
Receipts paid to the Consolidated Revenue Fund	$197 166	$189 696
OUTLAYS		
Death benefits paid		
Basic plan	$4 105 600	$4 210 200
Supplementary plan	54 400	113 000
Benefits paid from the Consolidated Revenue Fund	$4 160 000	$4 323 200

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
BASIC LIFE INSURANCE PLAN FOR GOVERNMENT, PUBLIC AND PARAPUBLIC EMPLOYEES

SUPLEMENTARY LIFE INSURANCE PLAN FOR EMPLOYEES AND PENSIONERS OF THE
COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

1. The insurance plans

The basic life insurance plan for Government employees and those of the public and parapublic sectors provides for the payment of death benefits, under certain conditions.

The supplementary life insurance plan applies only to certain employees and pensioners of the Commission de la santé et de la sécurité du travail.

2. Accounting policy

Both plans use the cash basis of accounting.

3. Death benefits payable at December 31, 1987

Death benefits payable at December 31, 1987 total approximately $777 600 for the basic life insurance plan ($1 086 000 at December 31, 1986) and $15 000 for the supplementary life insurance plan ($9 000 at December 31, 1986).

AUDITOR'S REPORT

I have examined the statement of receipts and outlays of the basic life insurance plan for Government employees and those of the public and parapublic sector, as well as that of the supplementary life insurance plan for employees and pensioners of the Commission de la santé et de la sécurité du travail for the year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the receipts and outlays of the insurance plans for the year ended December 31, 1987 in accordance with the accounting policy stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 13, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10

TRUST FUND CONCERNING THE GROUP INSURANCE PLAN FOR MEMBERS OF THE SYNDICAT DES FONCTIONNAIRES PROVINCIAUX DU QUÉBEC
FINANCIAL MOVEMENTS
for the fiscal year ended december 31, 1987

	1987	1986
OPENING CASH AND TERM DEPOSITS	$110 513	$103 658
Interest collected	9 430	6 855
CLOSING CASH AND TERM DEPOSITS	$119 943	$110 513

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

TRUST FUND CONCERNING THE GROUP INSURANCE PLAN FOR MEMBERS OF THE SYNDICAT DES FONCTIONNAIRES PROVINCIAUX DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

Constitution and purpose

The trust fund concerning the group insurance plan was created by the Government following settlement of a grievance filed by the Syndicat des fonctionnaires provinciaux du Québec seeking to maintain the Government's required contribution to the health insurance plan provided for under the terms of the 1968-1971 collective agreement, following the coming into force of the Health Insurance Act.

The fund and the revenue it earns are used, with the agreement of the Syndicat and the Commission, toward premium rebates or the purchase of additional group insurance for the benefit of civil servants and other employees who are members of this union.

AUDITOR'S REPORT

I have examined the statement of trust fund movements relating to the group insurance plan for members of the Syndicat des fonctionnaires provinciaux du Québec for the year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the financial movements of this trust fund for the year ended December 31, 1987.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 28, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10

COST OF PENSIONS TO PUBLIC AND PARAPUBLIC SENIOR OFFICIALS' SURVIVORS

for the fiscal year ended December 31, 1987

	1987	1986
Premiums	$13 915 904	$7 872 544
Rebates	4 077 548	2 986 766
Net cost of premiums (Note 2)	9 838 356	4 885 778
Less:		
Employer premiums	559 084	515 507
COST OF SURVIVORS' PENSIONS ASSUMED BY THE GOVERNMENT	$9 279 272	$4 370 271

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

COST OF PENSIONS TO PUBLIC AND PARAPUBLIC SENIOR OFFICIALS' SURVIVORS

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Accounting policies

The cost of pensions to surviving family members of senior officials in the public and parapublic sector is recorded on a cash basis.

2. Cost of survivors' pensions

Since January 1, 1978, the Government has been paying the premiums for pensions to surviving family members of senior officials in the public and parapublic sector. Premiums are set mainly on the basis of the current value of pensions to be paid and related administrative charges.

Premiums for survivors' pensions owed to the insurer at December 31, 1987 are estimated to be about $6 620 204 ($1 097 753 at December 31, 1986) and rebates for 1987 receivable on the same date amounted to $927 000 ($2 240 371 at December 31, 1986), including $185 000 withheld by the insurer as stabilization funds.

AUDITOR'S REPORT

I have examined the statement of the cost of pensions to public and parapublic senior officials' surviving family members for the year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the financial statement presents fairly the cost of pensions paid to senior officials' survivors for the year ended December 31, 1987 in accordance with the accounting policy stated in Note 1, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 13, 1988

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
R.S.Q., c. R-10

ADMINISTRATIVE EXPENSES
for fiscal year ended December 31, 1987

	1987	1986
Wages, salaries, allowances and other remuneration	$11 503 830	$10 064 772
Transportation and communication services	408 945	265 338
Professional, administrative and other services	1 287 484	896 688
Maintenance and repairs	80 345	113 779
Rent	1 338 800	1 221 536
Supplies and furnishings	393 679	359 551
Equipment	494 996	473 406
Interest on overpaid contributions, other interest and miscellaneous expenses	329 060	348 761
EXPENDITURE ASSUMED BY THE GOVERNMENT	$15 837 139	$13 743 831

On behalf of the Commission,

Michel Sanschagrin
Chairman

Michel Lagueux
Director of financial and material resources

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

ADMINISTRATIVE EXPENSES

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Purpose

The Commission administrative des régimes de retraite et d'assurances is charged with administering the Government and Public Employees Retirement Plan and any other pension or insurance plan whose management is assigned to the Commission by an act or by the Government. The Government assumes the Commission's administrative expenses.

2. Accounting policies

The statement of administrative expenses was prepared according to the cash basis.

Acquisitions of material and equipment as well as expenses for leasehold improvements are charged to administrative expenses.

The cost of fringe benefits granted to Commission employees, as well as that of support services such as telephone, office space and data processing, is paid out of departmental appropriations and is not shown on the financial statement.

3. Interest on overpaid contributions

The interest payable at December 31, 1987 on amounts owed beneficiaries of the pension plans for overpaid contributions is estimated at approximately $2 364 000 and is payable out of authorized appropriations. Overpaid contributions are refunded over a period of several years.

AUDITOR'S REPORT

I have examined the statement of administrative expenses of the Commission administrative des régimes de retraite et d'assurances for the fiscal year ended December 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the administrative expenses of the Commission for the year ended December 31, 1987, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, March 28, 1988

COMMISSION D'APPEL EN MATIÈRE
DE LÉSIONS PROFESSIONNELLES
R.S.Q., c. A-3.001

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Salaries, wages and fringe benefits	$3 256 201	$2 454 379
Transportation and communication	543 136	367 151
Professional services	366 526	372 704
Rent and maintenance	620 103	427 244
Supplies	142 639	109 886
Material and equipment	128 540	138 511
Other	8 982	6 874
	5 066 127	3 876 749
REVENUE		
Interest on bank deposits	33 275	39 934
SURPLUS EXPENDITURE OVER REVENUE	5 032 852	3 836 815
Contribution from the Commission de la santé et de la sécurité du travail	5 452 415	3 660 800
SURPLUS REVENUE AND CONTRIBUTION OVER EXPENDITURE	$419 563	$(176 015)

FUND BALANCE
for the fiscal year ended March 31, 1988

	1988	1987
Opening balance	$21 943	$197 958
Surplus revenue and contribution over expenditure	419 563	(176 015)
Closing balance	$441 506	$21 943

COMMISSION D'APPEL EN MATIÈRE DE LÉSIONS PROFESSIONNELLES

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$681 600	$299 474
Account receivable	17 525	1 039
Accrued interest receivable	7 668	2 707
Advances for travel expenses	13 500	14 000
	$720 293	$317 220
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$278 787	$295 277
FUND BALANCE	441 506	21 943
	$720 293	$317 220

CONTINGENT LIABILITY (Note 3)

On behalf of the Commission d'appel,

J. A. Vaillant, Chairman

COMMISSION D'APPEL EN MATIÈRE
DE LÉSIONS PROFESSIONNELLES

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution, activities and financing

The Commission d'appel en matière de lésions professionnelles is an agency instituted under the Act respecting industrial accidents and occupational diseases.

The Commission d'appel has exclusive jurisdiction to hear any appeal lodged under the Act respecting industrial accidents and occupational diseases, as well as any appeal lodged under sections 37.3 and 193 of the Act respecting occupational health and safety.

The amounts the Commission d'appel requires for its operations are drawn from the fund for the Commission d'appel, which is made up of amounts paid by the Commission de la santé et de la sécurité du travail according to terms and conditions determined by the Government.

These financial statements show the transactions of the fund for the Commission d'appel instituted under section 394 of its Act of incorporation, as well as the operations of the Commission d'appel.

2. Accounting policies

The Commission d'appel's financial statements were prepared by management using the accrual method and in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Material and equipment

Acquisitions of material and equipment are charged to operations.

Pension plan

The employer contribution of the Commission d'appel to the Government and Public Employees Retirement Plan is made by the Government and is not shown in the financial statements.

3. Contingent liability

Under an occupation agreement signed with the Société immobilière du Québec, the Commission d'appel has agreed to repay the Société immediately for the non-amortized cost of leasehold improvements the Société has made, should the Commission terminate this agreement before 1992. At March 31, 1988, this amount stood at $428 333.

AUDITOR'S REPORT

I have examined the balance sheet of the Commission d'appel en matière de lésions professionnelles as at March 31, 1988, and the statement of revenue, expenditure and fund balance for the fiscal year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission d'appel at March 31, 1988 and the results of its operations for the fiscal year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 30, 1988

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
R.S.Q., c. R-20
GENERAL FUND

REVENUE, EXPENDITURE AND FUND BALANCE
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
REVENUE		
Dues	19 903	16 532
Fines and penalties	2 192	2 175
Investment earnings	547	530
Other	79	147
Gouvernement du Québec subsidy		3 230
	22 721	22 614
EXPENDITURE		
Employee remuneration and personnel management	23 128	20 214
Administrative expenses	7 579	6 402
Office space	1 757	1 547
Depreciation on fixed assets	491	472
Advertising and public relations	124	22
Vocational development	103	54
Bad claims	5	44
	33 187	28 755
SURPLUS EXPENDITURE OVER REVENUE BEFORE THE FOLLOWING:	10 466	6 141
Expenses charged to supplemental pension plan	6 020	4 741
Trust funds used for Commission administration		
Transfer of interest		
Holiday and Vacation Pay Fund	2 882	2 550
Transfer of unidentified or unclaimed compensation and claims (Notes 8 and 9)	616	98
	9 518	7 389
SURPLUS EXPENDITURE OVER REVENUE	(948)	1 248
OPENING FUND BALANCE	5 429	4 181
CLOSING FUND BALANCE	4 481	5 429

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

GENERAL FUND

CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986 (Note 15)
OPERATING ACTIVITIES		
Surplus expenditure over revenue	(948)	1 248
Items not affecting liquid assets		
Depreciation on fixed assets	491	472
Loss on disposal of fixed assets	2	
Funds (used) generated by operations	(455)	1 720
Change in current assets and liabilities other than liquid assets	909	(227)
Funds generated by operating activities	454	1 493
FINANCING ACTIVITIES		
Commitments under capital lease contracts	1 110	183
Repayment of commitments arising from capital lease contracts	(459)	(157)
Funds generated by financing activities	651	26
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 574)	(462)
Proceeds from disposal of fixed assets	6	3
Funds used by investment activities	(1 568)	(459)
(DECREASE) INCREASE IN LIQUID ASSETS DURING THE YEAR	(463)	1 060
OPENING DEFICIENCY IN LIQUID ASSETS	(1 721)	(2 781)
CLOSING DEFICIENCY IN LIQUID ASSETS	(2 184)	(1 721)

The Commission's deficiency in liquid assets includes cash, investments and accrued interest less the bank loan and amounts owed the trust funds.

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

GENERAL FUND

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
CURRENT ASSETS		
Cash	76	
Investments and accrued interest (Note 3)	9 112	7 087
Dues receivable from employers	1 321	1 165
Accounts receivable (Note 4)	2 088	1 811
Owed by trust funds	868	933
Prepaid expenses	323	270
Subsidy receivable		1 300
	13 788	12 566
FIXED ASSETS (Note 5)	5 140	4 065
	18 928	16 631
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash		66
Bank loan (Note 6)	2 900	2 900
Owed to trust funds	8 472	5 842
Accounts payable and accrued expenses	1 818	1 790
Deposits and over-contributions	220	295
Commitments arising from capital lease contracts (Note 7)	234	157
	13 644	11 050
COMMITMENTS UNDER CAPITAL LEASE CONTRACTS (Note 7)	803	152
	14 447	11 202
FUND BALANCE	4 481	5 429
	8 928	16 631

COMMITMENTS (Note 12)
SUBSEQUENT EVENT (Note 14)

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
HOLIDAY AND VACATION PAY

CHANGE IN ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Contributions paid for annual vacation and statutory holidays	183 547	152 614
Investment earnings	11 594	11 051
(Decrease) increase in accounts payable and outstanding cheques less cash	(357)	281
	194 784	163 946
APPLICATION OF FUNDS		
Payments to employees		
Holiday and vacation pay	158 172	151 844
Interest on indemnities	8 060	8 541
Transfers to the general fund		
Interest	2 882	2 550
Contributions collected and payable to unidentified employees or unclaimed after more than 3 years (Note 8)	397	48
	169 511	162 983
INCREASE IN ASSETS	25 273	963
OPENING FUND ASSETS	107 649	106 686
CLOSING FUND BALANCE	132 922	107 649

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
HOLIDAY AND VACATION PAY

ASSETS AND LIABILITIES
as at December 31, 1987
(in thousands of dollars)

	1987	1986
		(note 15)
ASSETS		
Cash	77	
Investments and accrued interest (Note 3)	132 681	107 522
Accounts receivable	73	80
Owed by the supplemental account of the supplemental pension plan	91	28
Owed by the general account of the supplemental pension plan		19
	132 922	107 649
LIABILITIES		
Outstanding cheques less cash		431
Owed the general account of the supplemental pension plan	121	
Owed the general fund	254	457
Accounts payable	241	168
Holiday and vacation pay and interest payable to employees	132 170	106 215
Compensation payable to unidentified employees or unclaimed (Note 8)	136	378
	132 922	107 649

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

BACK PAY
ASSETS AND LIABILITIES
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the general fund	180	270
LIABILITIES		
Claims payable to employees	107	211
Claims received payable to unidentified employees (Note 9)	73	59
	180	270

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Claims collected	2 097	1 967
APPLICATION OF FUNDS		
Claims paid to employees	1 968	1 878
Transfer to the general fund of claims collected and payable to employees who remained unidentified after 3 years (Note 9)	219	50
	2 187	1 928
(DECREASE) INCREASE IN ASSETS	(90)	39
OPENING FUND ASSETS	270	231
CLOSING FUND ASSETS	180	270

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS

EMPLOYER DUES
ASSETS AND LIABILITIES
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the general fund	1 804	1 643
LIABILITIES		
Dues to be refunded	1 804	1 643

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Dues collected	5 952	5 354
APPLICATION OF FUNDS		
Refunds of dues	5 791	4 910
INCREASE IN ASSETS	161	444
OPENING FUND ASSETS	1 643	1 199
CLOSING FUND ASSETS	1 804	1 643

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS

UNION DUES
ASSETS AND LIABILITIES
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the general fund	2 862	1 484
LIABILITIES		
Dues to be refunded	2 862	1 484

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Dues collected	25 272	21 347
APPLICATION OF FUNDS		
Refunds of dues	23 874	21 076
Decrease (increase) in unidentified and unaffiliated dues	20	(112)
	23 894	20 964
INCREASE IN ASSETS	1 378	383
OPENING FUND ASSETS	1 484	1 101
CLOSING FUND ASSETS	2 862	1 484

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS

CONTRIBUTIONS TO THE "CORVÉE-HABITATION" PROGRAM
ASSETS AND LIABILITIES
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the general fund	92	195
LIABILITIES		
Contributions payable to the "Corvée-Habitation" program	92	195

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN ASSETS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Contributions collected from employers	11	112
Contributions collected from employees	24	155
Refund by "Corvée-Habitation" of excess contributions from employees		2 652
	35	2 919
APPLICATION OF FUNDS		
Contributions remitted	138	2 694
Transfer to the general account of the supplemental pension plan of the refund of excess contributions from employees		2 652
	138	5 346
DECREASE IN ASSETS	103	2 427
OPENING FUND ASSETS	195	2 622
CLOSING FUND ASSETS	92	195

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS

SPECIAL COMPENSATION
BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the general fund	3 523	2 237
LIABILITIES		
Compensation payable to employees following employer insolvency	46	278
NET EQUITY	3 477	1 959
	3 523	2 237

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN NET EQUITY
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Dues from employers	2 093	1 792
Compensation recovered	680	616
	2 773	2 408
APPLICATION OF FUNDS		
Compensation paid to employees following employer insolvency	1 219	2 054
Compensation paid to employees for jury duty	36	11
	1 255	2 065
INCREASE IN NET EQUITY	1 518	343
OPENING NET ASSETS OF FUND	1 959	1 616
CLOSING NET ASSETS OF FUND	3 477	1 959

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
GENERAL ACCOUNT
CHANGE IN NET EQUITY
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Employer and employee contributions	144 476	63 888
Investment earnings	1 999	499
Fund earnings deposited with the Caisse de dépôt et placement du Québec	134 733	138 799
"Corvée-Habitation" program - transfer of refund of excess contributions by employees		2 652
	281 208	205 838
APPLICATION OF FUNDS		
Lump-sum payments and contribution refunds	10 200	8 011
Interest on contribution refunds	635	485
Expenses charged by the general fund	5 842	4 587
Transfer to pensioners account	49 061	55 153
	65 738	68 236
INCREASE IN NET EQUITY	215 470	137 602
OPENING NET EQUITY	1 212 904	1 075 302
CLOSING NET EQUITY	1 428 374	1 212 904

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
GENERAL ACCOUNT
BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Cash	47	88
Investments and accrued interest (Note 3)	11 995	17 416
Funds deposited with the Caisse de dépôt et placement du Québec (Note 10)	1 417 212	1 193 479
Owed by the holiday and vacation pay fund	121	
Owed by the pensioners account		2 568
Owed by the supplemental account		72
	1 429 375	1 213 623
LIABILITIES		
Accounts payable	112	100
Owed to the general fund	609	476
Owed to the basic insurance plan	114	124
Owed by the supplemental account	163	163
Owed to the pensioners account	3	
Owed to the holiday and vacation pay fund		19
	1 001	719
NET EQUITY	1 428 374	1 212 904
	1 429 375	1 213 623

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
PENSIONERS ACCOUNT
CHANGE IN NET EQUITY
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Earnings from funds deposited with the Caisse de dépôt et placement du Québec	56 007	59 064
Investment earnings	279	219
Transfer from general account	49 061	55 153
Transfer from supplemental account	506	431
	105 853	114 867
APPLICATION OF FUNDS		
Retirement pension benefits	82 301	71 131
Lump-sum payments and contribution refunds	609	365
	82 910	71 496
INCREASE IN NET EQUITY	22 943	43 371
OPENING NET EQUITY	498 181	454 810
CLOSING NET EQUITY	521 124	498 181

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
PENSIONERS ACCOUNT
BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Investments and accrued interest (Note 3)	6 608	15 326
Funds deposited with the Caisse de dépôt et placement du Québec (Note 10)	514 502	485 594
Owed by the general fund	11	13
Owed by the general account	3	
	521 124	500 933
LIABILITIES		
Owed to the general account		2 568
Owed to the supplemental account		184
		2 752
NET EQUITY	521 124	498 181
	521 124	500 933

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
SUPPLEMENTAL ACCOUNT
CHANGE IN NET EQUITY
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Employee contributions	7 249	9 389
Earnings from funds deposited with the Caisse de dépôt et placement du Québec	6 517	5 793
Investment earnings	8	1
	13 774	15 183
APPLICATION OF FUNDS		
Lump-sum payments and contribution refunds	1 199	1 103
Transfer to pensioners account	506	431
Expenses charged by the general fund	178	154
	1 883	1 688
INCREASE IN NET EQUITY	11 891	13 495
OPENING NET EQUITY	63 809	50 314
CLOSING NET EQUITY	75 700	63 809

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL PENSION PLAN
SUPPLEMENTAL ACCOUNT
BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Investments and accrued interest (Note 3)	1 614	1 882
Funds deposited with the Caisse de dépôt et placement du Québec (Note 10)	76 633	63 916
Owed by the general account	163	
Owed by the pensioners account		184
	78 410	65 982
LIABILITIES		
Owed the supplemental insurance plan	2 619	2 073
Owed the holiday and vacation pay fund	91	28
Owed the general account		72
	2 710	2 173
NET EQUITY	75 700	63 809
	78 410	65 982

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
BASIC INSURANCE PLANS

CHANGE IN DEFICIT
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
		(Note 15)
SOURCE OF FUNDS		
Employer contributions	37 009	30 296
Optional employee contributions	1 163	1 008
Investment earnings	4 684	3 893
	42 856	35 197
APPLICATION OF FUNDS		
Claims	28 259	25 836
Dues to cover commitments relating to plan amendments	1 498	
Management expenses - claims and premiums	1 322	1 167
Increase in actuarial reserves	12 461	4 957
	43 540	31 960
(DECREASE) INCREASE IN NET EQUITY	(684)	3 237
OPENING NET EQUITY (DEFICIT)	150	(3 087)
CLOSING (DEFICIT) NET EQUITY	(534)	150

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
BASIC INSURANCE PLANS

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Investments and accrued interest (Note 3)	58 457	44 597
Owed by the general account of the supplemental pension plan	114	124
	58 571	44 721
LIABILITIES		
Owed to the general fund	5	
Accounts receivable	1 516	922
Dues to cover commitments relating to plan amendments	1 498	
Unused optional insurance contributions	265	289
Actuarial reserves (Note 11)	55 821	43 360
	59 105	44 571
NET (DEFICIT) EQUITY	(534)	150
	58 571	44 721

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
TRUST FUNDS
SUPPLEMENTAL INSURANCE PLAN

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Owed by the supplemental account of the supplemental pension plan	2 619	2 073
LIABILITIES		
Actuarial reserves (Note 11)	593	6
NET EQUITY	2 026	2 067
	2 619	2 073

On behalf of the Board of Directors,

Alcide Fournier
Hugues Ferron

CHANGE IN NET EQUITY
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
SOURCE OF FUNDS		
Employer contributions	370	289
Investment earnings	211	175
	581	464
APPLICATION OF FUNDS		
Claims	31	31
Management expenses - claims	4	4
Increase in actuarial reserves	587	587
	622	
(DECREASE) INCREASE IN NET EQUITY	(41)	464
OPENING NET EQUITY	2 067	1 603
CLOSING NET EQUITY	2 026	2 067

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution and purpose

Created under the Act respecting labour relations in the construction industry, the Commission de la construction du Québec is a corporation within the meaning of the Civil Code and is responsible for applying the collective agreement or Construction Decree, all fringe benefit plans, as well as for vocational training and management of employees in the construction industry.

2. Accounting policies

The financial statements of the Office were prepared by management in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Investments and accrued interest

Investments are recorded at cost, except for bonds which are amortized.

Employer contributions receivable

Amounts withheld by employers during December for remittance in January are posted as accounts receivable at December 31.

Fixed assets

Fixed assets are recorded at original cost and depreciated over their expected service life, using the straight-line method at the following annual rates:

Buildings	2 1/2%
Office furniture and equipment	10 %
Computer hardware	20 %
Computer software	33 1/3%

Leases

When, according to the terms of a lease, virtually all the advantages and risks of ownership are transferred to the Commission, the assets and commitments arising from a capital lease contract are recorded at the present value of amounts payable, as though it were the purchase of an asset and a loan. Assets covered by capital lease contracts are amortized using the same method as other fixed assets.

Rent due under the terms of an operating lease are charged to results.

Funds deposited with the Caisse de dépôt et placement du Québec

Participation deposits in individual funds of the Caisse de dépôt et de placement du Québec are recorded at cost of acquisition.

Special compensation fund payments to employees

Compensation is entered upon proof of employer insolvency.

Wages, salaries and fringe benefits

Wages, salaries and fringe benefits are recorded on the accrual basis, except for vacation pay owed and accrued and severance pay, which are entered on a cash basis.

Contributions from claims, fines, penalties and recovered compensation

Contributions from claims from employers as well as fines and penalties, and compensation recovered from employers by the special compensation fund, are posted to the general fund upon receipt.

2. Accounting policies (cont'd)

Employer and employee dues, holiday pay, claims against employers

These are recorded upon receipt of the employers' monthly reports or when cashed.

Interfund transfers and charges

The cost of administering the pensioners account in the supplemental pension plan and the basic insurance plans is assumed by the general account of the supplemental pension plan. No administrative expenses are charged to the supplemental insurance plan.

Administrative expenses for the other trust funds are paid out of the general fund.

For its own administration, the Commission transfers interest from the holiday and vacation pay fund as well as holiday pay that, at January 1, has gone unclaimed by employees for three years and funds held in trust to cover claims for employees who at December 31 remain unidentified after three years.

3. Investments and accrued interest
(in thousands of dollars)

Investments and accrued interest detail as follows:

	1987	1986
Cash	280	504
Term deposits	103 386	99 677
Bonds (realization value: $111 579 936 in 1987 and $92 993 740 in 1986)	112 743	90 590
Accrued interest	4 058	3 059
	220 467	193 830

Investments and accrued interest are distributed among the funds as follows:

	1987	1986
General fund	9 112	7 087
Trust funds		
Statutory holidays and annual vacations	132 681	107 522
Supplemental pension plan - general account	11 995	17 416
Supplemental pension plan - pensioners account	6 608	15 326
Supplemental pension plan - supplemental account	1 614	1 882
Basic insurance plans	58 457	44 597
	220 467	193 830

4. Accounts receivable
(in thousands of dollars)

	1987	1986
Claims receivable for which the employer has been found liable and under which benefits have been paid to employees		543
Claims receivable for which the employer's liability remains undetermined and under which benefits have been paid to employees		104
		647
Allowance for bad debts		647
Employees - balance receivable	528	521
Allowance for bad debts	462	469
	66	52
Employers -- accounts receivable set upon receipt of annual reports	1 606	1 374
Other receivables	416	385
	2 088	1 811

5. Fixed assets
(in thousands of dollars)

	1987			1986
	Cost	Accumulated depreciation	Net	Net
Land	230		230	230
Buildings	5 099	2 332	2 767	2 823
Furniture and equipment	1 769	1 229	540	337
Computer hardware	418	193	225	162
Computer software	631	348	283	163
	8 147	4 102	4 045	3 715
Assets leased under capital lease contracts:				
Furniture and equipment	637	35	602	107
Computer hardware	710	217	493	243
	1 347	252	1 095	350
	9 494	4 354	5 140	4 065

6. Bank loan
(in thousands of dollars)

	1987	1986
Bank loan, payable on demand, at the prime rate, from a $6.5 million line of credit, maturing April 30, 1988	2 900	2 900

7. Commitments under capital lease contracts
(in thousands of dollars)

	1987	1986
Commitments arising from capital lease contracts, 9% to 16%, maturities extending until 1992	1 037	309
Payments falling due within one year	234	157
	803	152

Minimum payments required on commitments arising from capital lease contracts detail as follows:

1988	331
1989	346
1990	254
1991	206
1992	144
Total minimum payments required	1 281
Amount of interest included in minimum payments required	(244)
	1 037

8. Unidentified or unclaimed compensation collected from the holiday and vacation pay fund

The balance at December 31, 1987 of sums collected for statutory holiday or annual vacation pay which either go unidentified or unclaimed, shown on the balance sheet as liabilities of the holiday and vacation pay fund in the amount of $136 000, includes annual vacation and statutory holiday pay for the years 1984, 1985, 1986 and 1987 that remain unidentified at December 31, 1987 along with cheques issued and outstanding for 60 days or more.

Vacation pay at December 31, 1986 earned for the last three years and collected on behalf of workers who were unidentified was transferred in the course of 1987 from the holiday and vacation pay fund balance sheet to the general fund's statement of revenue and expenditure.

9. Claims collected on behalf of unidentified employees

The Commission's uses for its own administration those sums held in trust and related to claims on behalf of employees who at December 31 remained unidentified for three years. Amounts collected prior to December 31, 1984 on behalf of employees who remained unidentified at December 31, 1987 were transferred to the statement of revenue and expenditure of the general fund during fiscal 1987 from the balance sheet of the back pay fund.

10. Funds deposited with the Caisse de dépôt et placement du Québec
(in thousands of dollars)

Supplemental pension plan funds deposited with the Caisse de dépôt et placement du Québec detail as follows:

	1987		1986	
	Acquisition cost	Realization value	Acquisition cost	Realization value
General account				
Demand deposits *	606	606	2 457	2 457
Participation deposits **	1 416 606	1 485 418	1 191 022	1 313 366
	1 417 212	1 486 024	1 193 479	1 315 823
Pensioners account				
Demand deposits *	100	100	641	641
Participation deposits **	514 402	537 419	484 953	532 347
	514 502	537 519	485 594	532 988
Supplemental account				
Demand deposits *	3	3	1	1
Participation deposits **	76 630	76 316	63 915	66 028
	76 633	76 319	63 916	66 029
TOTAL	2 008 347	2 099 862	1 742 989	1 914 840

* In the Caisse general fund.
** In individual funds of the Caisse for each supplemental pension plan account.

11. Actuarial reserves
(in thousands of dollars)

Under the method of self-management of employees' insurance plans, the Commission assumes a limited share of the risks, retains certain guarantees and delegates the task of settling claims.

11. Actuarial reserves (cont'd)
(in thousands of dollars)

At December 31, 1987, the Commission reserved the necessary amounts from the accumulated funds as follows:

	Group Insurance Fund			
	1987		1986	
	Basic benefit plan fund	Supplemental benefit plan fund	Basic benefit plan fund	Supplemental benefit plan fund
Reserves (1)	37 431		29 513	
Insurance liabilities (2)	18 390	593	13 847	6
Actuarial reserves (3)	55 821	593	43 360	6

(1) These are the reserves held for self-management purposes to cover the following items: benefit payments incurred but not reported, survivors' pensions and monthly disability pensions.

(2) These amounts represent the minimum reserves required calculated at December 31, 1987.

(3) Maximum reserves amount to $72 893 321 and $773 912 respectively for the basic plan fund and the supplemental plan fund.

12. Commitments

The Commission is committed to leases coming to term at various dates up to June 30, 1995 for its premises. Some of these leases make provision for five-year renewal.

Rent for office space over the fiscal year ended December 31, 1987 amounts to $565 125. Minimum annual rent for the next five years details as follows:

1988	$560 262
1989	504 720
1990	348 270
1991	182 565
1992	67 920

13. Supplemental pension plan for employees of the Commission de la construction du Québec

The supplemental pension plan for Commission employees is a defined benefit plan guaranteeing pension and death benefits and is compulsory for all permanent employees.

The cost of this plan is shared between employees and the Commission. The Commission's contribution charged to operating results for the fiscal year total $1 695 497 ($1 384 640 in 1986). Commission obligations toward the plan are limited to its contributions for current service as employer.
The most recent actuarial valuation dated November 1987 showed a surplus of $7 375 241 at January 1, 1987.

14. Subsequent event

In February 1988, the Commission purchased an administrative building for the sum of $530 000. This acquisition by the general fund includes a cash payment of $130 000 and is financed by a mortgage loan of $400 000 with the Caisse de dépôt et placement du Québec.

15. Comparative figures

Certain figures from 1986 have been reclassified for consistency with the presentation adopted in 1987.

ACTUARIAL OPINION

concerning the supplemental pension plan for employees of the construction industry in Québec, as part of an actuarial report dated September 25, 1987

The plan was valued at December 31, 1987 on the basis of data supplied as of January 1, 1987, which we consider sufficient and reliable for valuation purposes.

In our opinion, based on the basic pension scales and the temporary supplementary percentage set by Order-in-Council 708087 published May 20, 1987, the plan will remain fully funded at December 31, 1987, and

a) the general account will show a surplus of the adjusted value of assets over the value of the plan's commitments, amounting to approximately $150 195 000;

b) the pensioners account will show a surplus of the adjusted value of assets over the plan's commitments amounting to approximately $28 130 000.

We believe this actuarial opinion to be based on a valuation founded on assumptions we consider adequate and appropriate, and in accordance with methods that make use of sound actuarial principles.

Respectfully submitted for your consideration,

Yves Guérard, F.S.A., F.I.C.A., F.C.A.
Dolorès Page, F.S.A., F.I.C.A.

Montréal, September 25, 1987

ACTUARIAL OPINION

concerning the basic insurance plans for employees of the construction industry in Québec, as part of an actuarial report dated March 3, 1988.

Commitments at December 31, 1987 of the basic plans were valued according to data provided by the Commission and assuming net assets of $55 287 000 on that date.

In our opinion,

a) total commitments at December 31, 1987 of the basic insurance plans, including a provision for projected benefits over the next six months covering hours worked prior to December 31, 1987 in accordance with section 127(a), are $534 282 greater than net plan assets;

b) the present rate of contribution of $0.35/hour is sufficient to settle this deficit and fund the plans' commitments, including expenses, given the hours worked by participants over three years beginning January 1, 1988.

We believe this actuarial opinion to be based on a valuation founded on assumptions we consider adequate and appropriate, and in accordance with methods that make use of sound actuarial principles.

Respectfully submitted for your consideration,

Jean-Guy Côté, A.S.A.
Claude Boily, F.S.A., F.I.C.A.

Montréal, March 3, 1988

ACTUARIAL OPINION

concerning the supplemental insurance plans for electricians working in the construction industry in Québec, as part of Appendix A of an actuarial report dated March 3, 1988.

Commitments at December 31, 1987 of the supplemental plans were valuated according to data provided by the Commission and assuming net assets of $2 619 000 on that date.

In our opinion,

a) total commitments at December 31, 1987 of the supplemental insurance plans, including a provision for projected benefits over the next six months covering hours worked prior to December 31, 1987 in accordance with section 127(a), are $2 026 343 less than net plan assets;

b) this surplus and the present rate of contribution of $0.30/hour is sufficient to fund the plans' commitments, including expenses, given the hours worked by participants over three years beginning January 1, 1988.

We believe this actuarial opinion to be based on a valuation founded on assumptions we consider adequate and appropriate, and in accordance with methods that make use of sound actuarial principles.

Respectfully submitted for your consideration,

Jean-Guy Côté, A.S.A.
Claude Boily, F.S.A., F.I.C.A.

Montréal, March 3, 1988

THE FUNDS

General fund

The general fund provides an account of the transactions carried out to apply the collective agreement or any Order-in-Council adopted under the Act respecting labour relations in the construction industry, including any supplemental fringe benefit plan or other measure assigned by the Act.

The Fund also covers the claims of construction industry employees and employers which remain unsettled or were not paid in accordance with the applicable regulations. The Fund does not make provision for covering employee claims against employers where liability has not been determined and legal proceedings have been instituted.

Trust funds

Holiday and vacation pay fund

This fund is an account for paid statutory holidays and annual vacation pay as well as interest earned on behalf of employees of the construction industry, under sections 20.06 and 20.07 of the construction industry Decree.

Back pay fund

This fund is an account maintained for claims made by the Commission on behalf of construction industry employees under section 81 of the Act respecting labour relations in the construction industry.

Employer dues fund

This fund is an account maintained for employer contributions on behalf of the Association des entrepreneurs en construction du Québec under section 40 of the Act respecting labour relations in the construction industry.

Union dues fund

This fund is an account maintained for union contributions on behalf of construction industry employees under section 38 of the Act respecting labour relations in the construction industry.

"Corvée-Habitation" contributions fund

This fund is an account maintained for construction industry employer and employee contributions to the "Corvée-Habitation" program under sections 2 and 6 of the Act to promote housing construction.

As of November 1, 1985, the gouvernement du Québec no longer requires the Commission de la construction du Québec to collect construction employer and employee contributions for the "Corvée-Habitation" program, apart from contributions then due.

Special compensation fund

This fund is an account maintained for employers dues used to compensate employees for loss of wages and fringe benefits as a result of employer insolvency or when called upon for jury duty, in accordance with section 31.01 of the construction industry Decree.

THE FUNDS (cont'd)

Supplemental pension and insurance plan funds

These funds were created under the regulation concerning supplemental fringe benefits in the construction industry so as to provide funding for pension and insurance commitments of the plans.

Supplemental pension plan

A pension fund was established as an account for employer and employee contributions and fund benefits payable under the supplemental pension plan.

The balance sheet of the supplemental benefit plan is broken down into three separate accounts: the general account, the pensioners account and the supplemental account.

The general account is funded by employee and employer contributions and the supplemental account handles the additional contributions of electricians, painters and pipe insulators and their employers.

These accounts provide funding for lump-sum retirement benefits and pay death or severance benefits as well as the amount that may be transferred to pensioners' accounts for payment of annuities.

The assets and commitments of the supplemental pension plan with respect to current pension benefits payable from the general and supplemental account must be grouped into a separate pensioners' account according to the aforementioned regulation. When commitments are transferred to the pensioners' account from another, assets are also transferred to provide for the payment of benefits. Revenue on its assets is paid into the account as well.

Insurance plans

A group insurance fund was established to handle premiums and fund the payment of benefits and compensation under the insurance plans as well as premiums required to keep in force any insurance contract subscribed by the Commission for supplemental fringe benefit plans.

A supplemental insurance fund was established to handle electricians' supplemental premiums and to fund the payment of supplemental insurance plan premiums and expenses.

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the general fund of the Commission de la construction du Québec as at December 31, 1987 and the statement of revenue and expenditure and fund balance and the statement of change in financial position for the year then ended.

I have also examined the balance sheets and statements of assets and liabilities of the following trust funds administered by the Commission de la construction du Québec at December 31, 1987 as well as the statements of change in their assets and liabilities or of their deficit for the year then ended:

Holiday and vacation pay fund;
Back pay fund;
Employer dues fund;
Union dues fund;
"Corvée-Habitation" contributions fund;
Special compensation fund;
Supplemental pension plan fund - general account;
Supplemental pension plan fund - pensioners account;
Supplemental pension plan fund - supplement account;
Basic insurance plans fund;
Supplemental insurance plan fund.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the funds of the Commission de la construction du Québec as at December 31, 1987, the operating results and change in financial position of the general fund and the change in assets, net equity and deficit of the trust funds for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 3, 1988

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
R.S.Q., c. S-2.1

REVENUE AND EXPENDITURE
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
REVENUE		
Employer contributions (Note 1)	1 186 237	945 695
Investment earnings and interest on contributions	247 076	235 908
Other	2 573	3 287
TOTAL REVENUE	1 435 886	1 184 890
EXPENDITURE		
Compensation programs (Note 10)		
Benefits paid	898 736	861 712
Increase in actuarial reserves	290 478	390 759
	1 189 214	1 252 471
Preventive withdrawal of worker who is pregnant or nursing		
Benefits paid	37 842	33 455
Decrease in actuarial reserves	501	1 230
	37 341	32 225
Prevention programs (Note 11)	64 626	60 526
Administrative expenses (Note 12)	114 863	119 454
Other expenses (Note 13)	16 862	20 531
	196 351	200 511
TOTAL EXPENDITURE	1 422 906	1 485 207
SURPLUS REVENUE OVER EXPENDITURE BEFORE EXTRAORDINARY ITEMS	12 980	(300 317)
Compensation programs (Note 10) Changes to the assumptions and method of calculating actuarial reserves	93 458	57 050
Data-processing systems development costs written off (Note 3)	10 172	
	103 630	57 050
SURPLUS EXPENDITURE OVER REVENUE FOR THE YEAR	90 650	357 367
Represented by:		
Expenditures not financed according to the method stipulated in the Act (R.S.Q., c. A-3.001, s. 284) (Notes 1 and 10)	292 839	239 261
Balance of surplus expenditure over revenue	(202 189)	118 106
	90 650	357 367

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

CASH FLOW
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
OPERATING ACTIVITIES		
Surplus expenditure over revenue for the year	(90 650)	(357 367)
Items not requiring cash outflow		
Increase in actuarial reserves	383 435	446 579
Data-processing systems development costs written off	10 172	
Depreciation on fixed assets	6 534	7 073
Depreciation on data-processing systems development costs		7 110
Adjustments -- Income from participation deposits with the Caisse de dépôt et placement du Québec	26 491	45 202
Loss on the disposal of fixed assets	100	204
Funds generated by operations	336 082	148 801
Change in operating assets and liabilities other than liquid assets	(26 764)	(44 815)
Net inflow related to operations	309 318	103 986
FINANCING ACTIVITIES		
Receipts -- Balance on sale price	509	473
Refunds		
-- Balance owed on the acquisition of equipment	(3 089)	(2 769)
-- Balance owed for the Civil Service Superannuation Plan	(1 587)	
Net disbursements related to financing	(4 167)	(2 296)
INVESTMENT ACTIVITIES		
Funds deposited with the Caisse de dépôt et placement du Québec	(80 381)	(99 600)
Acquisition of fixed assets	(2 362)	(3 004)
Proceeds from the disposal of fixed assets	176	1 154
Capitalization of data-processing systems development costs		(4 612)
Net disbursements related to investments	(82 567)	(106 062)
INCREASE IN LIQUID ASSETS DURING THE YEAR	222 584	(4 372)
OPENING LIQUID ASSETS	(2 602)	1 770
CLOSING LIQUID ASSETS	219 982	(2 602)

Liquid assets include cash and short-term deposits less outstanding cheques.

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Cash and short-term deposits	240 757	14 444
Premiums and other receivables (Note 4)	188 858	166 259
Funds deposited with the Caisse de dépôt et placement du Québec (Note 5)	2 052 613	1 998 723
Selling price balance (Note 6)	17 416	17 925
Fixed assets (Note 7)	21 990	26 438
Data-processing systems development costs (Note 3)		10 172
	2 521 634	2 233 961
LIABILITIES		
Outstanding cheques	20 775	17 046
Accounts payable and accrued expenses	18 263	20 370
Balance owed on acquisition of equipment (Note 8)	2 549	5 638
Premiums received in advance	2 372	9 346
Deposits by employers held liable for payment of benefits	25 326	20 410
Balance owed on the Civil Service Superannuation Plan (Note 14)	40 010	
Actuarial reserves (Note 9)	4 772 719	4 389 284
	4 882 014	4 462 094
UNFUNDED DEBT	2 360 380	2 228 133
	2 521 634	2 233 961

COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)
SUBSEQUENT EVENTS (Note 17)

On behalf of the Board of Directors,

Ghislain Dufour
Louis Laberge

UNFUNDED DEBT
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986
OPENING UNFUNDED DEBT	2 228 133	1 870 766
Liability entered at January 1, 1987 for balance owed for the Civil Service Superannuation Plan for services prior to December 31, 1975 (Note 14)	41 597	
SURPLUS EXPENDITURE OVER REVENUE FOR THE YEAR	90 650	357 367
CLOSING UNFUNDED DEBT	2 360 380	2 228 133

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution, activities and financing

A corporation within the meaning of the Civil Code, the Commission de la santé et de la sécurité du travail was founded on March 13, 1980. Under its implementation of the Act respecting occupational health and safety, it is responsible for developing and applying policies related to occupational health and safety so as to ensure a better quality of life in the workplace. The Commission collects premiums from employers to ensure application of the Act, except for its inspection costs, which are reimbursed by the gouvernement du Québec.

As part of its administration of the Workmen's Compensation Act and the Act respecting industrial accidents and occupational diseases, the Commission is responsible for assessing employers annually, according to its financing method and its actuarial expertise.

The Commission selects what it considers to be the appropriate financing method to enable it to cover its expenditures as they arise and to avoid unduly burdening employers by requiring them to make payments for occupational injuries sustained previously.

Nevertheless, pursuant to section 284 of the Act respecting industrial accidents and occupational diseases, for the years from 1984 to 1988, the Commission collects a sum equal to 90% of the sum sufficient to permit payment of the benefits to which beneficiaries are entitled for occupational injuries sustained during each of these years respectively, then at 2% more per annum for each of the five subsequent years.

For the years from 1986 to 1993, the Commission cannot increase the premium rate to eliminate the actuarial deficit (unfunded debt) created by occupational injuries sustained before January 1, 1986, nor that resulting from the application of the preceding paragraph. Consequently, the premium will include a proportion of the expected cost for occupational injuries sustained after January 1, 1986, the entire amount allocated for prevention and preventive withdrawal of pregnant or nursing workers and the expenditure budgeted by the Commission for administration.

For this reason, the unfunded debt will increase each year until 1993 inclusive and the funding percentage of the actuarial reserves and other liabilities recorded on the balance sheet will decrease each year until 1993 inclusive. According to section 284 of the Act respecting industrial accidents and occupational diseases, the Commission must rule on the actuarial deficit related to occupational injuries sustained prior to January 1, 1994. If, at such time, no decision has been made with respect to recovering this deficit, the latter will continue to increase, which would result in a significantly lower funding percentage in subsequent years. The Commission requested that a study be conducted on its funding procedures. The final report includes several recommendations which the Commission plans on implementing; for instance, a long-term financial objective to maintain the funding percentage at a level equivalent to that obtained during 1987.

As part of its administration of the Crime Victims Compensation Act and the Act to promote good citizenship, the Commission is also responsible for paying compensation or other benefits to claimants. Funding for the implementation and administration of the Acts is provided by the gouvernement du Québec.

2. Main accounting policies

The Commission's financial statements were prepared by management using the accrual method, in accordance with the accounting policies summarized below. These statements include amounts based on best estimates and judgment.

a) Employer premiums

Revenue from premiums is based on estimated wages and salaries paid by employers, to which a rate the Commission sets is applied. At year-end, such revenue is adjusted to take into account the expected variation between estimated and actual wages and salaries subject to premiums.

2. Main accounting policies (cont'd)

b) Funds deposited with the Caisse de dépôt et placement du Québec

Participation deposits to individual funds are entered at adjusted value.

This adjusted value includes the following:

- the cost of participation deposit units less gains and losses on the sale of investments since 1981, plus,
- the accumulated depreciation on gains and losses incurred by the sale of investments and,
- the accumulated depreciation on the difference between the realization value of stock investments and their cost.

The value placed on that portion of participation deposits represented by stock investments is based on their realization value.

Gains and losses on the sale of stock investments are recorded and amortized. The difference between the stocks' realization value and their cost is also amortized. These amortizations are posted to investment income for the fiscal year and are amortized using the straight-line method over a 10-year period.

c) Fixed assets

Fixed assets are shown at their cost price; depreciation on them is charged according to the straight-line method on the basis of estimated service life at the following annual rates:

Buildings	2½%
Furnishings and equipment	10%
Rolling stock	25%
Computer equipment	20%
Telecommunications system	20%

Leasehold improvements are amortized over the length of the lease.

d) Actuarial reserves

Estimated present value of future payments to workers having sustained occupational injuries and to pregnant or nursing workers.

This reserve includes the estimated present value of all future payments to workers for occupational injuries sustained prior to or during the current fiscal year and to pregnant or nursing workers for the same period, for employers required to contribute to the reserve.

It also includes provisions to cover cases for which claims have already been filed and for workers whose claims will be filed with the Commission only after year-end, as well as provisions for workers currently receiving benefits or who will be entitled to benefits in the future as a result of a relapse or of a deterioration in physical health due to the injuries.

The reserve further allows for the change in the real rate of return.

e) Claims against third parties

Claims against third parties responsible for industrial accidents are credited, on receipt, against paid compensation.

3. Changes to accounting policies
(in thousands of dollars)

Data-processing systems development costs

Beginning this fiscal year, data-processing systems development costs are posted to administrative expenses for the year during which they are incurred; previously, they were capitalized and amortized from the time the systems begin operating. Taking into account the write-off of unamortized expenses of $10 172 267 entered as extraordinary item under operating results at December 31, 1986, this new accounting policy results in an increase (decrease) in the following items in this year's financial statements:

	1987
Assets -- Data-processing systems development costs	(7 959)
Surplus expenditure over revenue for the year	7 959
Unfunded liability	7 959

Reserve for the Special Disaster Fund

Beginning this year, the Commission no longer maintains a separate reserve for the Special Disaster Fund. The costs of occupational injuries judged by the Commission as excessive with respect to certain employers will be charged for all employers directly to the estimated present value of future payments.

This change results in a decrease in the following items in this year's financial statements:

	1987
Liabilities -- Actuarial reserves	6 653
Surplus expenditure over revenue for the year	6 653
Unfunded liability	6 653

4. Premiums and other receivables
(in thousands of dollars)

	1987	1986
Premiums receivable	95 795	80 779
Estimated accrued premium revenue	34 963	57 642
Receivable from the gouvernement du Québec for inspection *	55 047	31 629
Overpaid compensation receivable	20 108	15 916
Other receivables	7 745	7 393
	213 658	193 359
Less:		
Allowance for bad debts	24 800	27 100
	188 858	166 259

* Pursuant to section 249 of the Act respecting occupational health and safety, any amount required in the application of this Act or regulations respecting inspection is taken from the public coffers allocated for this purpose by the Legislature.

In 1988, the gouvernement du Québec paid $30 000 000 out of the 1987-1988 appropriations to cover this liability. The Government's spending forecasts for 1988-1989 tabled before the National Assembly on March 24, 1988, shows estimates of $45 000 000 for Program 7 of the ministère du Travail. These estimates cover the balance of this liability at December 31, 1987 and inspection charges incurred to March 31, 1989.

5. Funds deposited with the Caisse de dépôt et placement du Québec

(in thousands of dollars)

	1987	1986
Individual funds		
Participation deposits at adjusted value (Realization value in thousands of $ 1987: $2 186 435; 1986: $2 231 719, number of units 1987: 2 100 639; 1986: 2 014 034)	2 003 292	1 943 178
Revenue receivable	49 071	55 316
	2 052 363	1 998 494
General Fund		
Demand deposits	250	229
	2 052 613	1 998 723

The unamortized balance of gains and losses on the sale of stock investments since 1981 and the difference between the realization value of stock investments and their cost totals $155 489 536 (1986: $121 433 657) and $17 502 752 (1986: $93 206 442) respectively.

Breakdown of portfolio by cost	(in %) 1987	(in %) 1986
Bonds	49.19	53.39
Stock and convertible securities	32.48	27.59
Mortgage financing	5.63	5.28
Real estate investments	1.96	1.61
Short-term securities	8.90	10.08
Demand deposit	0.27	0.32
Other asset items	1.57	1.73

6. Selling price balance

(in thousands of dollars)

	1987	1986
Secured by first mortgage at 7½%, payable in annual instalments of $403 085 maturing December 31, 1998	2 928	3 095
Secured by transfer of a gouvernement du Québec subsidy receivable, payable in annual instalments of $1 454 705, maturing December 31, 2006, bearing interest at 7½%	14 488	14 830
	17 416	17 925

7. Fixed assets

(in thousands of dollars)

	1987			1986
	Cost	Depreciation	Net	Net
Land	719		719	719
Buildings	9 793	3 488	6 305	6 443
Furniture and equipment	13 361	8 407	4 954	6 113
Rolling stock	262	235	27	22
Leasehold improvements	2 809	2 049	760	1 068
Computer equipment	25 809	16 861	8 948	11 624
Telecommunications system	1 153	876	277	449
	53 906	31 916	21 990	26 438

8. Balance owed on the acquisition of equipment

(in thousands of dollars)

	1987	1986
Financing of computers; borrowing of $10 691 810 repayable in 44 monthly instalments of $296 382 (principal and interest), at an annual interest rate of 11%, due in 1988	2 549	5 638

9. Actuarial reserves

(in thousands of dollars)

	1987	1986
Estimated present value of future payments to workers having sustained occupational injuries and to pregnant or nursing workers	4 772 719	4 382 631
Reserve for the Special Disaster Fund		6 653
	4 772 719	4 389 284

Among other things, this reserve includes a liability of $163 059 000 (1986: $176 999 000) for the future costs of economic and social stabilization programs for occupational injuries sustained prior to August 19, 1985 (Note 15). It also includes a liability of $204 119 000 (1986: $140 084 000) relating to the payment of benefits for bodily injuries resulting from occupaitional injuries sustained since August 19, 1985, date on which the Act respecting industrial accidents and occupational diseases came into force.

In addition, the actuarial reserve includes a provision for the fluctuation in the real rate of return of $235 290 000 (1986: $129 188 000). The spread of $106 102 000 for the year includes $35 515 000 resulting from a change in the reference rate used to calculate this provision.

Funding percentage

The funding percentage of the actuarial reserves and other liabilities on the books at December 31, 1987 is 51.65% compared with 50.07% at December 31, 1986. These percentages were determined based on the proportion of assets to liabilities.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1986

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9. Actuarial reserves (cont'd)
(in thousands of dollars)

Continuity of actuarial reserves

	1987	1986
Opening balance	4 389 284	3 942 705
Increase charged to expenditures		
Estimated present value of future payments to workers having sustained occupational injuries and pregnant or nursing workers		
- total established before extraordinary items	289 977	388 520
Plus: increase in the reserve for the Special Disaster Fund		1 009
	289 977	389 529
- changes to the assumptions and the method of calculating actuarial reserves	100 111	57 050
Less: write-off of the reserve for the Special Disaster Fund	(6 653)	
	93 458	57 050
	383 435	446 579
Closing balance	4 772 719	4 389 284

10. Compensation programs
(in thousands of dollars)

Cost of compensation programs before extraordinary items

	1987	1986
Cost of occupational injuries sustained during the year		
Benefits paid	246 376	252 327
Increase in actuarial reserves	590 769	566 590
	837 145	818 917
Cost of occupational injuries sustained during previous years		
Benefits paid	652 360	609 385
Decrease in actuarial reserves	300 291	175 831
	352 069	433 554
	1 189 214	1 252 471
Extraordinary items		
Changes to the assumptions and the method of calculating actuarial reserves	93 458	57 050
Overall cost of compensation programs	1 282 672	1 309 521

10. Compensation programs (cont'd)
(in thousands of dollars)

The cost of compensation programs, excluding extraordinary items, breaks down as follows:

	1987	1986
Benefits paid		
Medical assistance	146 184	139 685
Temporary disability	87 340	132 727
Income replacement	362 664	307 923
Permanent disability	212 992	217 017
Death	89 556	64 360
	898 736	861 712
Increase in actuarial reserves	290 478	390 759
	1 189 214	1 252 471

The non-financed portion of the cost of these programs is as follows:

	1987	1986
Benefits paid		
Medical assistance	6 464	6 032
Income replacement	18 083	19 100
Death	91	101
	24 638	25 233
Increase in actuarial reserves	59 077	56 659
Investment income shortfall due to the unfunded debt	209 124	157 369
	292 839	239 261

The non-financed portion of these compensation programs includes:

- benefits paid during the year 1987 for occupational injuries sustained during that year, multiplied by the non-financing percentage (10%);
- the increase in the actuarial reserves for injuries sustained during 1987, multiplied by the non-financing percentage (10%);
- the investment income shortfall due to the unfunded debt as a result of the application of the financing plan. For 1987, use of a new rate of reference to calculate the provision for the fluctuation in the real rate of return results in a $23 781 000 increase for this item.

11. Prevention programs
(in thousands of dollars)

	1987	1986
Payments to occupational health and other services	36 811	36 667
Grant paid to the Institut de recherche en santé et en sécurité du travail du Québec	13 215	11 869
Training and information grants	14 600	11 990
	64 626	60 526

12. Administrative expenses
(in thousands of dollars)

	1987	1986
Wages, salaries and fringe benefits	97 320	89 635
Training and upgrading	285	225
Travel expenses	3 776	3 740
Postage, courier and telecommunications	5 458	5 452
Communications and information	1 848	1 335
Professional services - Data processing	2 463	2 068
Professional services - Administration	7 081	7 289
Maintenance and repairs - Computer equipment	3 020	3 367
Maintenance and repairs - Fixed assets and other	1 410	1 519
Material and supplies	3 315	3 308
Rental of office and other space	9 494	9 398
Equipment rental - Computer	1 839	2 243
Equipment rental - Other	647	617
Insurance, taxes, power	1 854	3 350
Other charges and services	672	766
Depreciation - Fixed assets	6 534	7 073
Depreciation - Computer systems development		7 110
	147 016	148 495
Less:		
Deferred charges - Computer systems development		4 612
	147 016	143 883
Assigned charges:		
Gouvernement du Québec		
- inspection costs	23 418	20 089
- for administering the Crime Victims Compensation Act and the Act to Promote Good Citizenship	2 293	1 967
Government of Canada and its organizations for administering the Act respecting compensation of Government employees	1 956	(1 330)
Employers held liable for benefit payments	3 981	3 231
Other	505	472
	32 153	24 429
	114 863	119 454

13. Other charges
(in thousands of dollars)

	1987	1986
Bad debts	8 521	12 863
Administrative charges for the Commission d'appel en matière de lésions professionnelles	5 005	2 745
Civil Service Superannuation Plan		
-- Interest on balance owed	3 336	3 510
-- Annual contribution -- Principal		1 413
	16 862	20 531

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14. Balance owed to the Civil Service Superannuation Plan

An actuarial valuation of liabilities resulting from previous services of Commission employees at December 31, 1975 for the Civil Service Superannuation Plan chargeable to the Commission has been established at $49 787 000. The Commission began reimbursing this amount December 31, 1978 in 23 annual instalments of $4 923 000, including principal and interest.

Repayment of principal for the next five years is as follows:

1988	$1 762 200
1989	1 947 400
1990	2 138 800
1991	2 340 400
1992	2 549 200

At January 1, 1987, the balance of $41 596 600 owed the Civil Service Superannuation Plan was entered as a liability; previously, it was only mentioned in a Note and the annual instalment of $4 923 000 (principal and interest) was charged to expenditure for the year.

15. Commitments and contingent liabilities

Commitments

The Commission was committed at December 31, 1987 under the terms of leases for rental of premises for a total of $48 344 962 (1986: $51 595 892), with instalments over the next twelve months amounting to $9 665 903. The leases extend over a period of from one to ten years with options to renew at term. A clause provides for a review of rental charges according to increased operating costs or taxes.

Contingent liabilities

Enterprises under federal jurisdiction

The Supreme Court of Canada will render its decision in the near future concerning the liability of enterprises under federal jurisdiction to certain provisions of the Act respecting occupational health and safety (R.S.Q., c. S-2.1) regarding prevention and preventive withdrawal programs.

Should the Supreme Court decide that certain provisions of the Act are not applicable to such enterprises, certain employers will be able to claim that portion of premiums which they paid to finance the application of the Act.

Class action

A request for class action was filed in November 1986 to claim interest from the Commission on amounts owed by it under final decisions rendered by the review offices of the Commission and the Commission des affaires sociales concerning the application of the Workmen's Compensation Act (R.S.Q., c. A-3). This request was refused by the Superior Court of Québec in June 1987; however, this decision has been appealed.

Job search, economic and social stabilization programs

A number of employers are pleading before the courts on the illegality of job search, economic and social stabilization programs with respect to victims of occupational injuries sustained prior to August 19, 1985. Three Superior Court decisions rendered on April 12 and July 17, 1985 and November 4, 1986 uphold such allegations. The Commission has appealed these decisions.

Similarly, the Commission d'appel en matière de lésions professionnelles confirmed before the Commission that, under section 570 of the Act respecting industrial accidents and occupational diseases, it has the right to claim payment of the compensation at issue after August 19, 1985.

15. Commitments and contingent liabilities (cont'd)

Interpretation of section 556 of the Act respecting industrial accidents and occupational diseases

In July 1987, the Superior Court of Québec rendered a decision stipulating that section 556 of the Act respecting industrial accidents and occupational diseases violates the Canadian Charter of Rights and Freedoms.

By virtue of this decision, which has been appealed, injured workers who have received compensation under the Worker's Compensation Act and who, since August 19, 1985, have suffered from a relapse or a deterioration in physical health due to the injuries would receive replacement benefits for income greater than that provided for under section 556 of the Act respecting industrial accidents and occupational diseases. Such compensation would be calculated in accordance with section 70 of the above Act, regardless of any life annuities granted as compensation for a decrease in a person's capability of working.

With regard to these contingent liabilities, the administration is unable to assess the amounts in question fairly. Any reimbursement by the Commission, if applicable, will be calculated by an adjustment in subsequent years.

16. Other mandates of the Commission
(in thousands of dollars)

The Commission pays benefits to workers who have sustained occupational injuries on behalf of employers held liable for paying benefits. These employers subsequently reimburse the Commission.

The Commission is also responsible for compensating victims by virtue of the Crime Victims Compensation Act and the Act to Promote Good Citizenship. The gouvernement du Québec reimburses the Commission for benefits paid.

In addition, the Commission is responsible for compensating federal public servants under the Act respecting compensation of Government employees. The Government of Canada and its agencies reimburse the Commission for benefits paid.

Benefit disbursements made by the Commission are distributed as follows:

	1987	1986
Employers held liable for paying benefits	30 967	22 954
Crime Victims Compensation Act and the Act to Promote Good Citizenship	16 125	14 255
Act respecting compensation of Government Employees	10 039	10 078
	57 131	47 287

Given that the above benefit outlays and reimbursements have been paid in full, they are not shown on the statement of revenue and expenditure for the Commission.

17. Subsequent events

The regulation respecting premium payment based on employer merit (Order-in-Council 1628-86, October 29, 1986) provides for a general system (regular classes) applied for employers in whole and a special system for defined employer categories (class A, B, C, D and E).

On April 11, 1988, the Commission adopted a new policy for recalculating the premiums of employers targeted by the above regulation with respect to the recording of costs incurred by virtue of sections 99.3 and 99.5 of the Workment's Compensation Act. The retroactive effect given to the regulation will require the recalculation of unrecorded premiums so as to refund employers for surplus payments, which are estimated in the most recent valuations at $36 million. This valuation does not take into account the possible increase in future claims.

17. Subsequent events (cont'd)

In addition, the Commission has decided to give retroactive effect to the management committee's decision of May 1984 not to charge, in accordance with section 111.7 of the Worker's Compensation Act, the cost of occupational diseases to the employer. This will require the recalculation of unrecorded premiums so as to refund employers targeted by this decision for any surplus payments and will have a budgetary effect of $83 million.

Recovery of any such refunds will be made for each category of employer (regular class and class A, B, C, D and E) in the same time and during the same period as the amounts paid out. This situation does not affect either the unfunded debt at December 31, 1987 or the operating results for subsequent years. Any changes to premiums will be recorded on a gradual basis beginning fiscal 1988.

18. Employer contributions to the retirement plans

Employees of the Commission de la santé et de la sécurité du travail are members of the Civil Service Superannuation Plan and the Government and Public Employees Retirement Plan (RREGOP), which are administered by the Commission administrative des régimes de retraite et d'assurances. Effective July 1, 1982, the cost of these plans is shared equally by the employees and the employers. The plans are of the defined benefit type and guarantee the payment of retirement and death benefits. The Commission's contributions for 1987 are posted to operating results and total $4 068 849 (1986: $3 586 261). Commission obligations toward the Government retirement plans are limited to its contributions for current services as an employer.

ACTUARIAL CERTIFICATE
concerning commitments of the Commission de la
santé et de la sécurité du travail at December 31, 1987

We, the undersigned, declare that actuarial reserves amounting to $4 772 719 000 are sufficient to cover future payments of benefits to workers who have sustained occupational injuries under the Workmen's Compensation Act, the Act respecting industrial accidents and occupational diseases, the Act respecting indemnities for victims of asbestosis and silicosis in mines and quarries, and future payments of benefits to pregnant or nursing workers under the Act respecting occupational health and safety; the actuarial reserves cover commitments for events which occurred at the facilities of employers responsible for contributing before December 31, 1987 and include a provision for the change in the real rate of return ($235 290 000).

The actuarial reserves have been evaluated based on policies adopted by the Commission.

The increase in the actuarial reserves at December 31, 1987 before extraordinary items, being $290 478 000 for compensation programs, and the decrease of $501 000 for the preventive leave program for pregnant or nursing workers, was shown as a debit on the statement of revenue and expenditures for 1987.

Changes in accounting policies and actuarial assumptions result in an increase of $93 458 000 in the actuarial reserve.

This amount includes $43 458 000 for changes effective January 1, 1987; among them, an additional $34 000 000 for the reserve for medical health outlays that will be required over 10 years after the year of the accident, and the write-off of the $6 653 000 reserve for the Special Disaster Fund.

It also includes an additional provision of $50 000 000 at December 31, 1987. Following an analysis of the mortality rate for 1984-1986, this provision was added to the actuarial reserve to account for the decreased mortality amongst disabled pensioners. New mortality tables will be drawn up during 1988.

In our opinion, the amount of the actuarial reserves has been determined using reliable data, adequate and appropriate assumptions and methods in accordance with generally accepted actuarial principles.

Robert Langlois, F.S.A., F.C.I.A., Actuary
Commission de la santé et de la sécurité du travail

Pierre Hébert, F.I.C.A., Actuary
Commission de la santé et de la sécurité du travail

March 25, 1988

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

AUDITOR'S REPORT

I have examined the balance sheet of the Commission de la santé et de la sécurité du travail as at December 31, 1987 and the statements of revenue and expenditure, unfunded debt and cash flow for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, with the exception of a change in the method of recording the cost of computer systems development and the dissolution of the actuarial reserves for the Special Disaster Fund mentioned in Note 3, these statements present fairly the Commission's financial position as at December 31, 1987 and the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, April 13, 1988

COMMISSION DES NORMES DU TRAVAIL
R.S.Q., c. N-1.1

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987 (Note 10)
REVENUE		
Premiums (Note 9)	$24 778 457	$27 367 054
Interest on deposits and investments	927 818	6 505 756
Other revenue	268 458	203 124
	25 974 733	34 075 934
EXPENDITURE		
Wages and salaries	12 912 228	11 464 086
Fringe benefits	2 074 954	1 698 654
Professional fees	1 068 968	1 487 396
Rent	1 940 256	1 774 265
Maintenance	406 845	176 426
Travel expenses	801 580	718 292
Communications	958 349	1 092 260
Advertising and public relations	325 223	464 572
Supplies	526 225	390 911
Bad debts	135 784	45 680
Interest on long-term debt	1 155 525	1 216 500
Depreciation on fixed assets	989 959	792 234
Loss on the disposal of fixed assets	547	30 547
Other	40 758	33 908
	23 337 201	21 385 731
SURPLUS REVENUE OVER EXPENDITURE	$2 637 532	$12 690 203

SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987 (Note 10)
OPENING SURPLUS		
Balance carried forward	$5 824 679	$61 547 433
Adjustment: Change in the method of depreciating data-processing equipment (Note 3)	(1 137 863)	(1 050 820)
Adjusted balance	4 686 816	60 496 613
Surplus revenue over expenditure	2 637 532	12 690 203
Payment to the gouvernement du Québec's Consolidated Revenue Fund (Note 7)		(68 500 000)
CLOSING SURPLUS	$7 324 348	$4 686 816

COMMISSION DES NORMES DU TRAVAIL

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987 (Note 10)
OPERATING ACTIVITIES		
Surplus revenue over expenditure	$2 637 532	$12 690 203
Items not affecting liquid assets:		
Depreciation on fixed assets	989 959	792 234
Loss on the disposal of fixed assets	547	30 547
Depreciation of discount on bonds	(703)	(867)
Funds generated by operations	3 627 335	13 512 117
Change in current assets and liabilities excluding liquid assets	558 547	3 374 271
Funds generated by operating activities	4 185 882	16 886 388
FINANCING ACTIVITIES		
Funds absorbed by financing activities:		
Decrease in the long-term debt	(617 600)	(556 100)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 026 874)	(1 216 963)
Proceeds from disposal of fixed assets	2 317	25 850
Proceeds from disposal of bond investments	64 993	
Funds absorbed by investment activities	(959 564)	(1 191 113)
PAYMENT TO THE CONSOLIDATED REVENUE FUND		(68 500 000)
INCREASE (DECREASE) IN LIQUID ASSETS OVER THE YEAR	2 608 718	(53 360 825)
OPENING CASH AND TERM DEPOSITS	17 269 368	70 630 193
CLOSING CASH AND TERM DEPOSITS	$19 878 086	$17 269 368

COMMISSION DES NORMES DU TRAVAIL

BALANCE SHEET
as at March 31, 1988

	1988	1987
		(Note 10)
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$19 878 086	$17 269 368
Premiums receivable from employers	1 103 684	1 211 470
Accrued interest	168 196	111 516
Other accounts receivable	76 837	111 100
Bond investments (Note 6)	64 993	
	21 291 796	18 703 454
BOND INVESTMENTS (Note 6)	1 098 409	1 162 699
FIXED ASSETS (Note 7)	1 661 890	1 627 839
	$24 052 095	$21 493 992
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$2 317 349	$1 842 813
Claims collected for remittance to employees	89 448	71 938
Interest accrued on long-term debt	277 350	292 725
Payment of long-term debt maturing during the coming year (Note 8)	617 600	556 100
	3 301 747	2 763 576
LONG-TERM DEBT (Note 8)	13 426 000	14 043 600
SURPLUS	7 324 348	4 686 816
	24 052 095 $	21 493 992 $

On behalf of the Commission,

Paul-Émile Bergeron
Gérard A. Ponton

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and activities

Constituted a corporation within the meaning of the Civil Code under the Workmen's Compensation Act, the Commission des normes du travail has all the usual powers of a corporation. It has been charged with overseeing the implementation and application of labour standards. More specifically, it is responsible for making the public aware of labour standards, seeing that these standards are put into practice and forwarding any recommendations on the matter to the minister responsible. The Commission has the duty of hearing the claims filed by employees and awarding compensation under the Act and regulations.

2. Accounting policies

The Commission's financial statements were prepared by management according to the accrual method and the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Bond investments

Investments in bonds are recorded at amortized cost.

Fixed assets

Fixed assets are shown at acquisition cost and are depreciated using the following methods and rates:

	Rate	Method
Equipment	20%	Diminishing balance
Furniture	10%	Diminishing balance
Rolling stock	30%	Diminishing balance
Leasehold improvements	20%	Straight line
Data processing equipment	33 1/3%	Straight line

Premiums

Revenue from premiums for the past calendar year was entered on the books after receipt of employers' yearly reports and/or when claim assessments were served on employers. Revenue from premiums determined after April 30 and relating to previous fiscal years is posted to revenue for the coming fiscal year.

3. Change in accounting policy

Over the past few years, the Commission has invested significant sums to computerize a large part of its operations. Consequently, it has modified its accounting policy with respect to the depreciation of data processing equipment.

Beginning this year, data processing equipment is amortized using the straight-line method over a three-year period; previously, it was amortized using the diminishing balance method at a rate of 20%. This modification has been given retroactive effect and results in a decrease in the following items in the financial statements:

	1988	1987
Fixed assets	$1 395 372	$1 137 863
Surplus revenue over expenditure	257 509	87 043
Surplus	1 395 372	1 137 863

4. Revision of accounting estimate

Following a government decision, on May 1, 1987, the Commission handed the management of its leases over to the Société immobilière du Québec. Offices occupied by the Commission are covered by a contract with the above Société. This contract is renewable annually.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Revision of an accounting estimate (cont'd)

Beginning May 1, 1987, leasehold improvements are depreciated using the straight-line method over a five-year period; previously, they were depreciated according to the term of the lease. This revised accounting policy results in a $44 137 decrease in the surplus revenue over expenditure for the year and will reduce the surplus revenue over expenditure for the next four years by the same amount.

5. Retirement plans

Employees of the Commission are members of the Civil Service Superannuation Plan and the Government and Public Employees Retirement Plan (RREGOP). Effective July 1, 1982, the cost of these plans is shared equally between the employees and the employers. The plans are of the defined benefit type and guarantee payment of pension and death benefits. Contributions by the Commission charged to operating results for the year total $621 274 (1987: $521 675). The Commission's commitments toward these Government retirement plans is limited to its contributions for current services as an employer.

6. Bond investments

Investment in Québec Government bonds, having a face value of $1 165 000, are shown at amortized cost with a realization value of $1 102 325 (1987: $1 098 869).

7. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Equipment	$667 282	$441 225	$226 057	$224 605
Furniture	821 279	441 800	379 479	374 315
Rolling stock	11 812	6 024	5 788	8 267
Leasehold improvements	966 029	611 090	354 939	22 108
Data processing equipment	3 915 515	3 219 888	695 627	998 544
	$6 381 917	$4 720 027	$1 661 890	$1 627 839

8. Long-term debt

Amount owed the Civil Service Superannuation Plan

	1988	1987
Liabilities resulting from employer contributions receivable for services prior to December 31, 1975, reimbursable through annual payments of $1 727 000, and a final payment of $1 751 700, including principal and interest, falling due in the year 2000	$14 043 600	$14 599 700
Payment falling due during the coming year	617 600	556 100
	$13 426 000	$14 043 600

8. Long-term debt (cont'd)

The amounts of principal to be paid over the coming five years detail as follows:

Years	
1989	$617 600
1990	682 500
1991	749 600
1992	820 300
1993	893 400

9. Premiums

The 1988 premiums include $2 232 477 (1987: $2 763 783) for premiums from previous years.

10. Comparative figures

Certain comparative figures for 1987 have been adjusted to reflect the change in an accounting policy mentioned in Note 3 and have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Commission des normes du travail as at March 31, 1988 and the statements of revenue and expenditure, surplus and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the financial position of the Commission as at March 31, 1988 as well as the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of recording depreciation on data processing equipment stated in Note 3.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 16, 1988

COMMISSION DES SERVICES JURIDIQUES
R.S.Q., c. A-14
ADMINISTRATION FUND

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	Operations		Private Practice (s. 52)			
	1988	1987	1988	1987	1988	1987
REVENUE						
Grant, gouvernement du Québec	$50 017 781	$40 964 800	$26 912 912	$21 757 900	$76 930 693	$62 722 700
Grant receivable at the beginning				100 000		100 000
Grant receivable at year-end			(459)		(459)	
	50 017 781	40 964 800	26 912 453	21 857 900	76 930 234	62 822 700
EXPENDITURE	51 101 551	41 794 359	26 912 453	21 861 123	78 014 004	63 655 482
	(1 083 770)	(829 559)		(3 223)	(1 083 770)	(832 782)
OTHER REVENUE						
Reimbursement of legal aid costs	111 266	93 337			111 266	93 337
Case fees	181 620	187 511			181 620	187 511
Interest	370 020	466 624			370 020	466 624
Other revenue	176 296	18 432			176 296	18 432
Net revenue from the Professional Liability and Fire and Theft funds	21 800	30 478			21 800	30 478
	861 002	796 382			861 002	796 382
	(222 768)	(33 177)		(3 223)	(222 768)	(36 400)
Transfer of operations to private practice (section 52)		(3 223)		3 223		
SURPLUS EXPENDITURE OVER REVENUE	$(222 768)	$(36 400)			$(222 768)	$(36 400)

COMMISSION DES SERVICES JURIDIQUES

ADMINISTRATION FUND

CONSOLIDATED STATEMENT OF GRANT USE
for the fiscal year ended March 31, 1988

OPENING LIQUID ASSETS			$1 276 833
RECEIPTS			
Gouvernement du Québec grant	$76 930 693		
Less, debtor, gouvernement du Québec	216 781	$76 713 912	
Interest	370 020		
Increase in accrued interest	(414)	369 606	
Case fees		181 620	
Other revenue		176 296	
Revenue from the Professional Liability and Fire and Theft funds		21 800	
Reimbursement of legal aid costs		111 266	
Decrease in other accounts receivable		7 135	77 581 635
			78 858 468
OUTLAYS			
Increase in accounts receivable, Professional Liability and Fire and Theft funds		80	
Increase in advances		1 945	
Increase in costs related to the coming fiscal year		30 489	
Operations and private practice (section 52) (page 134)		77 730 621	77 763 135
CLOSING CASH POSITION			$1 095 333

	1988	1987
LIQUID ASSETS		
Cash	$1 095 333	$1 755 833
Bank loan		(479 000)
	$1 095 333	$1 276 833

CONSOLIDATED STATEMENT OF RESERVE, SPECIAL PROJECTS
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$187 976	$240 229
Increase in the reserve from accumulated revenue	4 203	5 000
Use of reserve	127 976	57 253
	(123 773)	(52 253)
CLOSING BALANCE	$64 203	$187 976

CONSOLIDATED BALANCE SHEETS
as at March 31, 1988

	1988	1987
ADMINISTRATION FUND		
ASSETS		
CURRENT ASSETS		
Cash	$1 095 333	$1 755 833
Accrued interest	14 239	13 825
Accounts receivable, gouvernement du Québec	216 781	
Accounts receivable, Professional Liability Fund	13 870	13 629
Accounts receivable, Fire and Theft Fund	4 161	4 322
Other accounts receivable	35 153	42 288
Advances	6 235	4 290
Expenses charged to coming fiscal year	85 185	54 696
	$1 470 957	$1 888 883

	1988	1987
PROFESSIONAL LIABILITY FUND		
ASSETS		
CURRENT ASSETS		
Cash	$20	$649
Accrued interest	13 850	12 980
	13 870	13 629
INVESTMENTS (Note 2)	250 000	250 000
	$263 870	$263 629

	1988	1987
FIRE AND THEFT FUND		
ASSETS		
CURRENT ASSETS		
Cash	$6	$210
Accrued interest	4 155	4 112
	4 161	4 322
INVESTMENTS (Note 2)	75 000	75 000
	$79 161	$79 322

On behalf of the Commission des services juridiques,

Yves Lafontaine, Chairman
Denis Bouchard, Vice-Chairman

COMMISSION DES SERVICES JURIDIQUES

CONSOLIDATED BALANCE SHEETS
as at March 31, 1987

	1988	1987
ADMINISTRATION FUND		
LIABILITIES		
CURRENT LIABILITIES		
Bank loan		$479 000
Accounts payable and accrued expenses	$1 479 979	1 196 596
Grant collected in advance (section 52)	459	
	1 480 438	1 675 596
EQUITY DEFICIENCY		
Accumulated revenue (deficit)	(73 684)	25 311
Reserve, special projects	64 203	187 976
	(9 481)	213 287
	$1 470 957	$1 888 883
PROFESSIONAL LIABILITY FUND		
LIABILITIES		
CURRENT LIABILITIES		
Owed the Administration Fund	$13 870	$13 629
EQUITY		
Reserve	250 000	250 000
	$263 870	$263 629
FIRE AND THEFT FUND		
LIABILITIES		
CURRENT LIABILITIES		
Owed the Administration Fund	$4 161	$4 322
EQUITY		
Reserve	75 000	75 000
	$79 161	$79 322

COMMISSION DES SERVICES JURIDIQUES

ADMINISTRATION FUND

CONSOLIDATED STATEMENT OF OUTLAYS AND EXPENDITURE
for the fiscal year ended March 31, 1988

	Outlays	Less: Accounts payable and accrued expenses at April 1, 1987	Plus: Accounts payable and accrued expenses at March 31, 1988	Expenditure
OPERATIONS				
Board meeting	$79 030	$1 222	$820	$78 628
Rent, taxes and permits	3 836 221	416 461	486 728	3 906 488
Telephone	891 888	43 024	60 978	909 842
Electricity	53 823	11 138	13 333	56 018
Postal service	358 985	9 012	5 923	355 896
Stationery and supplies	705 595	102 020	52 040	655 615
Other administrative expenses	430 222	26 716	11 540	415 046
Professional fees	431 974	44 660	43 856	431 170
Maintenance and repairs	274 032	20 433	15 315	268 914
Office furniture and equipment	783 537	282 750	364 896	865 683
Travel expenses	792 100	28 118	29 693	793 675
Library	302 850	14 590	13 520	301 780
Professional training	254 158	7 489	20 387	267 056
Paymaster and data processing	148 558	10 256	1 247	139 549
Review committee	73 303	623	2 078	74 758
Information and education	434 243	2 256	1 091	433 078
Research	102 533	3 899	11 730	110 364
Account approval	3 225	22	470	3 673
Community legal services of Pointe St-Charles and Petite Bourgogne Inc.	462 828	2 631	89 537	549 734
	10 419 105	1 027 320	1 225 182	10 616 967
Wages, salaries and fringe benefits				
Lawyers	24 553 784	1 780	79 521	24 631 525
Other	13 641 942	29 177	13 242	13 626 007
	38 195 726	30 957	92 763	38 257 532
Outlays				
Civil suits	1 820 501	119 911	116 264	1 816 854
Criminal cases	382 836	18 408	45 770	410 198
	2 203 337	138 319	162 034	2 227 052
	50 818 168	1 196 596	1 479 979	51 101 551
PRIVATE PRACTICE (section 52)				
Legal fees				
Civil suits	13 805 937			13 805 937
Criminal cases	8 652 021			8 652 021
Notary fees	1 064 313			1 064 313
	23 522 271			23 522 271
Outlays				
Civil suits	2 528 688			2 528 688
Criminal cases	743 261			743 261
Notary fees	33 364			33 364
	3 305 313			3 305 313
Interest	52 982			52 982
Professional fees	31 887			31 887
	84 869			84 869
	26 912 453			26 912 453
	$77 730 621	$1 196 596	$1 479 979	$78 014 004

COMMISSION DES SERVICES JURIDIQUES

ADMINISTRATION FUND

CONSOLIDATED STATEMENT OF DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$25 311	$9 458
Surplus expenditure over revenue	(222 768)	(36 400)
	(197 457)	(26 942)
Adjustment of consolidated reserve, special projects	123 773	52 253
CLOSING BALANCE	$(73 684)	$25 311

PROFESSIONAL LIABILITY FUND

CONSOLIDATED STATEMENT OF SUMS OWED THE ADMINISTRATION FUND AND RESERVE
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE		
Owed the Administration Fund	$13 629	$16 012
Reserve	250 000	250 000
	263 629	266 012
Interest earnings	28 549	30 748
Claims, expenditure paid by the Administration Fund	(10 909)	(8 374)
	17 640	22 374
Transfer to the Administration Fund	17 399	24 757
	241	(2 383)
CLOSING BALANCE	$263 870	$263 629
Owed the Administration Fund	$13 870	$13 629
Reserve	250 000	250 000
	$263 870	$263 629

COMMISSION DES SERVICES JURIDIQUES

FIRE AND THEFT FUND

CONSOLIDATED STATEMENT OF SUMS OWED THE ADMINISTRATION FUND AND RESERVE
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE		
Owed the Administration Fund	$4 322	$4 380
Reserve	75 000	75 000
	79 322	79 380
Interest earnings	8 605	8 637
Claims, expenditure paid by the Administration Fund	(4 445)	(533)
	4 160	8 104
Transfer to the Administration Fund	4 321	8 162
	(161)	(58)
CLOSING BALANCE	$79 161	$79 322
Owed the Administration Fund	$4 161	$4 322
Reserve	75 000	75 000
	$79 161	$79 322

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
at March 31, 1988

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1. Main accounting practices

Consolidation

The consolidated financial statements include the accounts of the Commission des services juridiques and the following regional entities:

Centre communautaire juridique de Montréal
Centre communautaire juridique des Laurentides
Centre communautaire juridique de la Rive-Sud
Centre communautaire juridique de Québec
Centre communautaire juridique de l'Outaouais
Centre communautaire juridique de l'Estrie
Centre communautaire juridique du Saguenay, Lac St-Jean
Centre communautaire juridique de la Mauricie, Bois-Francs
Centre communautaire juridique du Bas-St-Laurent, Gaspésie
Centre communautaire juridique de la Côte-Nord
Centre communautaire juridique de l'Abitibi -- Témiscamingue as well as of the Clinique juridique de Hull Inc., in the Outaouais region.

Presentation of financial statements

The financial statements were drawn up according to generally accepted accounting principles and the following special policies:

Private practice (s. 52)

Private practice legal fees, costs and interest charges are recorded on a cash basis and posted to operations accordingly.

Case fees and reimbursement of legal aid costs

Revenue from case fees and reimbursement of legal aid costs is recorded on a cash basis.

Fixed Assets

The Commission does not have a fixed assets fund. Consequently, the acquisition of fixed assets is charged to the year's operating expenditure and budgeted accordingly.

Employee remuneration

Regular wages and salaries of employees of the Commission des services juridiques and of regional corporations are recorded on a cash basis.

Transfers

Under Commission by-laws, the Professional Liability Fund reserve cannot exceed $250 000 and that of the Fire and Theft Fund, $75 000. Any excess amount must be transferred to Administration Fund revenue and expenditure.

2. Investments

	1988	1987
Professional Liability Fund		
These funds are invested in deposit certificates with the Société d'hypothèque National Bank	$250 000	$250 000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
at March 31, 1988

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2. Investments (cont'd)

	1988	1987
Fire and Theft Fund		
These funds are invested in deposit certificates with the Société d'hypothèque National Bank	$75 000	$75 000

3. Commitments

Private practice legal fees, costs and interest (section 52)

At March 31, 1988, commitments toward professionals in private practice amounted to approximately $21 000 000 and detail as follows:

Year	Estimated Commitments			
	Civil suits	Criminal cases	Notary services	Total
1973 - 1984	$500 000	$100 000	$20 000	$620 000
1984 - 1985	500 000	100 000	20 000	620 000
1985 - 1986	1 890 000	550 000	30 000	2 470 000
1986 - 1987	2 800 000	1 430 000	60 000	4 290 000
1987 - 1988	8 000 000	4 500 000	500 000	13 000 000
	$13 690 000	$6 680 000	$630 000	$21 000 000

Estimates of commitments towards professionals in private practice have been made by the Commission.

Leases

Under the terms of operating leases expiring between April 30, 1988 and April 30, 1993, the Commission and regional corporations are committed to taking total minimum payments of $11 216 956 during that period. Payments during the coming fiscal year detail as follows: 1989, $2 821 910; 1990, $2 577 930; 1991, $2 407 544; 1992, $2 040 541 and 1993, $1 369 031.

AUDITORS' REPORT

To the members of the
Commission des services juridiques

We have examined the following consolidated statements of the Commission des services juridiques as at March 31, 1988:

Balance sheet, Administration Fund
Balance sheet, Professional Liability Fund
Balance sheet, Fire and Theft Fund

and for the year ended March 31, 1988

Revenue and expenditure, Administration Fund
Deficit, Administration Fund
Reserve, special projects, Administration Fund
Amounts owed the Administration Fund and reserve,
  Professional Liability Fund
Amounts owed the Administration Fund and reserve,
  Fire and Theft Fund
Grant use, Administration Fund
Outlays and expenditure, Administration Fund

Our examination was carried out in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary under the circumstances.

In our opinion, these consolidated statements present fairly the financial position of the Commission des services juridiques and that of its regional and local corporations as at March 31, 1988 as well as their operating results and use of grants for the fiscal year then ended, according to the accounting policies in Note 1, applied on a basis consistent with that of the previous year.

Maheu Noiseux,
Chartered Accountants

Montréal, May 6, 1988

CORPORATION D'HÉBERGEMENT DU QUÉBEC

OPERATIONS AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
INTEREST ON BORROWINGS		
Cost		
Interest:		
On long-term debt (Note 9)	$41 691 497	$34 810 965
On interim financing	4 785 459	
	46 476 956	34 810 965
Financing		
Subsidies from the gouvernement du Québec	42 070 328	29 366 842
Subsidies from the Government of Canada	4 406 628	5 444 123
	46 476 956	34 810 965
OTHER OPERATIONS (Note 12)		
Cost	191 667	386 860
Financing and revenue	366 451	386 860
NET REVENUE FOR THE YEAR	174 784	
OPENING SURPLUS	3 257 702	3 257 702
CLOSING SURPLUS	$3 432 486	$3 257 702

CORPORATION D'HÉBERGEMENT DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Net revenue for the year	$174 784	
Net change in current assets and liabilities excluding liquid assets	(722 955)	$2 669 153
Funds (absorbed) generated by operating activities	(548 171)	2 669 153
FINANCING ACTIVITIES		
Long-term debt	306 427 430	142 710 610
Payments on long-term debt	(63 820 636)	(83 276 032)
Contributed capital	4 044 860	2 251 020
Interim financing	23 687 000	
Funds generated by financing activities	270 338 654	61 685 598
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(33 156 554)	(48 334 099)
Proceeds from disposal of fixed assets	90 780	164 300
Work charged to the gouvernement du Québec:		
Construction and restoration projects		
Regional health and social services councils	(191 049 235)	
Establishments of the health and social services network	(21 585 677)	(18 597 462)
Acquisitions of furniture and equipment posted to regional health and social services establishments	(2 044 491)	(505 598)
Interim financing of establishments of the health and social services network	(22 950 000)	
Funds absorbed by investment activities	(270 695 177)	(67 272 859)
DECREASE IN LIQUID ASSETS DURING THE YEAR	(904 694)	(2 918 108)
OPENING LIQUID ASSETS (DEFICIENCY IN LIQUID ASSETS)	(597 210)	2 320 898
CLOSING LIQUID ASSETS (DEFICIENCY IN LIQUID ASSETS)	$(1 501 904)	$(597 210)

The deficiency in liquid assets includes outstanding cheques less cash.

CONTRIBUTED CAPITAL
for the fiscal year ended March 31, 1988

	Balance at March 31, 1987	Transactions for fiscal 1988	Balance at March 31, 1988
Subsidies from the gouvernement du Québec:			
Acquisition of furniture and equipment	$21 370 914		$21 370 914
Acquisition of buildings	6 514 083	$177 962	6 692 045
Payment of principal on long-term debt	16 259 775	1 410 027	17 669 802
Bond interest capitalized to buildings	1 187 118		1 187 118
Other contributed capital	2 103 494		2 103 494
	47 435 384	1 587 989	49 023 373
Canada Mortgage and Housing Corporation: forgiveness on 10% of loans granted	6 942 270		6 942 270
Surplus of municipal assessment of buildings over cost of acquisition	25 996 560	2 532 405	28 528 965
Free disposal of furniture and equipment to the health and social services network	(19 547 210)	(75 534)	(19 622 744)
Other contributed capital	563 288		563 288
	61 390 292	4 044 860	65 435 152
Transfer to the deficit	(11 270 787)		(11 270 787)
	$50 119 505	$4 044 860	$54 164 365

CORPORATION D'HÉBERGEMENT DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Accrued subsidies receivable from the gouvernement du Québec (Note 4)	$15 049 527	$10 884 081
Accounts receivable	689 444	1 348 984
Owed by the gouvernement du Québec		152 877
	15 738 971	12 385 942
ACCOUNTS RECEIVABLE (Note 5)	258 093 160	20 463 757
FIXED ASSETS (Note 6)	453 257 151	420 191 377
	$727 089 282	$453 041 076
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash	$1 501 904	$597 210
Accounts payable, including contract holdbacks	10 785 895	11 725 687
Accrued interest	14 530 630	10 960 764
Long-term debt (Note 8)	2 638 576	2 585 027
	29 457 005	25 868 688
INTERIM FINANCING (Note 7)	23 687 000	
LONG-TERM DEBT (Note 8)	616 348 426	373 795 181
	669 492 431	399 663 869
EQUITY		
Contributed capital	54 164 365	50 119 505
Surplus	3 432 486	3 257 702
	57 596 851	53 377 207
	$727 089 282	$453 041 076

COMMITMENTS AND CONTINGENT LIABILITY (Note 14)

On behalf of the Board of Directors,

John Gauvreau
André V. Bergeron

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution, purpose and activities

A non-profit corporation created September 12, 1974 under Part III of the Companies Act, the Corporation d'hébergement du Québec has been charged with acquiring, erecting, renovating, holding, administering, maintaining, repairing, renting and disposing of movable and fixed assets either used or for use by establishments and regional councils within the meaning of the Act respecting health services and social services.

The Corporation's role is essentially to ensure that the projects of which it has been put in charge by the ministère de la Santé et des Services sociaux, are brought to completion; the Corporation is also charged with the short and long-term financing of fixed assets of the health and social services network.

The Corporation rents buildings to social service establishments designated by the ministère de la Santé et des Services sociaux, who then operate these under the terms of a lease which typically stipulates that the tenant must assume full responsibility for the building, including even that normally incumbent on the lessor, such as major repairs, upkeep and insurance.

The Corporation occasionally acquires buildings in the context of ministère de la Santé et des Services sociaux withdrawal policy aimed at integrating private establishments.

2. Financing and operations

Land and buildings

Long-term financing by the Corporation of construction and restoration projects comes in large part from the issuing of bonds, whose debt servicing is fully covered by Government subsidies.

Long-term financing charges are covered by the Government, excluding the discount and issue charges on bonds issued at the time the first financing was received.

The Corporation resorts to bank borrowings for interim financing of construction and restoration projects.

Projects must receive the prior approval of the Government and be carried out within the financial limits it sets.

Furniture and equipment

Under a decision by the gouvernement du Québec rendered July 8, 1987, the regional health and social services councils must assume the cost of furniture and equipment for the network's establishments, effective April 1, 1985 for establishments of the health sector and effective April 1, 1986 for establishments of the social services sector.

For projects authorized prior to these dates, the ministère de la Santé et des Services sociaux assumes the cost of the establishments' furniture and equipment through special grants. The Corporation subsequently cedes the furniture and equipment to the establishments at no cost.

Expenditure assumed by the Government

Staff and support services such as the telephone service, office space, furniture and supplies are placed at the disposal of the Corporation by the ministère de la Santé et des Services sociaux. Such expenditure is not shown on Corporation financial statements since it is assumed by the ministère de la Santé et des Services sociaux and various Government departments and agencies.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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2. Financing and operations (cont'd)

Administrative expenses capitalized to construction and restoration projects

When operating results for the year show a net loss, the Corporation assigns administrative expenses to construction and restoration projects up to this net loss.

Short-term borrowings by the regional health and social services councils **(CRSSS)**

Since July 8, 1987, the Corporation has contracted long-term borrowings for the consolidation of short-term borrowings by the CRSSS for certain expenditures relating to fixed assets and equipment. The ministère de la Santé et des Services sociaux awards grants to the Corporation to reimburse these borrowings and pay bond issue and discount charges.

3. Accounting policies

The Corporation's financial statements were prepared by management according to the accrual method of accounting and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Construction and restoration of establishments belonging to the ministère de la Santé et des Services sociaux

Costs related to the construction and restoration of establishments of the ministère de la Santé et des Services sociaux network include short-term financing costs. These financing costs are capitalized until repayment of costs by the establishment.

Fixed assets

Land and buildings are recorded, at the time of acquisition, at the greater of cost or municipal assessment.

Projects under way include the cost of buildings acquired, costs related to the construction and restoration of buildings, and short-term financing costs. These financing charges are recorded under "Projects under way" up to the first day of the month which comes 90 days after the date of preliminary approval of the project.

Fixed assets are not depreciated.

Gouvernement du Québec subsidies

Subsidies related to the payment of principal on the long-term debt are recorded when cashed. All other subsidies are recorded on the accrual basis.

4. Accrued subsidies receivable from the gouvernement du Québec

	1988	1987
Subsidies granted to repay:		
Accrued interest on the long-term debt	$13 932 652	$10 830 366
Interest accrued and receivable on interim financing	1 108 355	
Bond issue and discount charges	8 520	
Cost of projects not completed		53 715
	$15 049 527	$10 884 081

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Accounts receivable

	1988	1987
Gouvernement du Québec:		
Construction and restoration projects and equipment:		
Establishments of the health and social services network	$41 543 836	$19 958 159
Regional health and social services councils	191 049 235	
	232 593 071	19 958 159
Establishments of the health and social services network - interim financing	22 950 000	
Regional health and social services councils - furniture and equipment	2 550 089	505 598
	$258 093 160	$20 463 757

6. Fixed assets

	1988	1987
Land	$20 573 488	$19 446 184
Buildings	361 443 312	343 890 541
Construction and restoration projects under way	71 240 351	56 854 652
	$453 257 151	$420 191 377

7. Interim financing

The Government has entrusted the interim financing of bond terms awaiting refinancing and the payment of issue and discount charges for subsequent refinancing by establishments of the health and social services network to the Corporation. To this end, the Corporation has contracted bank loans totalling $23 687 000.

8. Long-term debt

	1988	1987
Bonds:*		
Guaranteed by the assignment of gouvernement du Québec subsidies, 9¼% to 18% annually, maturing from 1989 to 2007	$332 130 000	$213 275 000
Canada Mortgage and Housing Corporation		
Borrowings repayable in advance and without penalty and guaranteed by the assignment of gouvernement du Québec subsidies, 8% annually, maturing from 2028 to 2032	61 544 385	61 710 221
Société d'habitation du Québec		
Mortgage loans repayable in advance without penalty, 6 7/8% and 8% annually, maturing from 2019 to 2029	18 808 835	18 876 944
Notes and balance on sale price 4% to 12% annually, maturing from 1988 to 2006, guaranteed by the assignment of gouvernament du Québec subsidies	19 369 826	20 378 446
Mortgage loan guaranteed by the assignment of gouvernement du Québec subsidies, 11¼% annually, maturing in 2005	886 526	903 987
Bank borrowings	186 247 430	61 235 610
Amounts to be deferred	618 987 002	376 380 208

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

	1988	1987
8. Long-term debt (cont'd)		
Deferred amounts	$618 987 002	$376 380 208
Payments due within a year	2 638 576	2 585 027
	$616 348 426	$373 795 181

Scheduled principal repayments over the next five years are as follows:

1988-1989	$2 638 576
1989-1990	45 118 949
1990-1991	30 403 144
1991-1992	9 991 834
1992-1993	84 035 379

Bank loans relating to building financing are considered as long-term debt, since repayment will be made through long-term financing.

* The Sinking Fund for Québec Health and Social Services Establishments Borrowings, set up to discharge a portion of Corporation commitments, totalled $7 819 000 at March 31, 1988 ($3 866 000 at March 31, 1987). The Fund is administered by the Minister of Finance.

Bonds totalling $53 500 000 may be repaid before maturity, at the holder's request.

9. Interest on long-term debt

	1988	1987
Bonds	$29 177 761	$25 936 314
Canada Mortgage and Housing Corporation	5 025 496	5 038 765
Société d'habitation du Québec	1 513 623	1 517 832
Notes and balance on selling price	1 653 010	1 740 239
Bank loans	12 269 638	4 081 109
	49 639 528	38 314 259
Less: Interest on bank loans capitalized to construction and restoration projects of the Corporation and the ministère de la Santé et des Services sociaux (Note 10)	7 948 031	3 503 294
	$41 691 497	$34 810 965

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

10. Expenses capitalized to construction and restoration projects of the Corporation and the ministère de la Santé et des Services sociaux

Capitalized expenses break down as follows:

	1988	1987
Interest capitalized temporarily during the year at the average monthly prime rate:		
Corporation	$5 817 289	$4 457 630
Ministère de la Santé et des Services sociaux	2 509 311	560 395
	8 326 600	5 018 025
Adjustment to capitalized interest	378 569	1 514 731
Interest capitalized at real cost *	7 948 031	3 503 294
Administrative expenses capitalized to construction and restoration projects (Note 2):		
Corporation		115 537
Ministère de la Santé et des Services sociaux		14 461
		129 998
Total capitalized expenses for the year	$7 948 031	$3 633 292

* Short-term financing charges are capitalized temporarily to the cost of projects for the year based on the average monthly prime rate. These expenses are adjusted at year-end based on interest paid to financial institutions.

11. Subsidies from the Government of Canada

Under section 56.1 of the National Housing Act (R.S.C., c. N-10), the Corporation d'hébergement du Québec is eligible for financial assistance from the Government of Canada to help pay the cost of public housing projects. To date, twenty-three projects have been approved for assistance. Subsidies received are used to help pay the cost of interest on Corporation borrowings.

During the next eight fiscal years, the Corporation will receive approximately $4.5 million a year in financial contributions from the federal government, after which time the amount will decrease.

12. Other operations

	1988	1987
Cost		
Cost of projects not completed	$9 417	$192 874
Bond issue and discount charges	93 288	184 924
Other	88 962	139 060
	191 667	516 858
Administrative expenses capitalized to construction and restoration projects (notes 2 and 10)		129 998
	$191 667	$386 860

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12. **Other operations** (cont'd)

	1988	1987
Financing and revenue		
Subsidies from the gouvernement du Québec for:		
Projects not completed	$9 417	$192 874
Issue and discount charges for bonds issued for the purpose of refinancing	6 851	102 020
	16 268	294 894
Net revenue from the operation of a building (Note 13)	294 930	81 895
Other revenue	55 253	10 071
	$366 451	$386 860

13. **Operation of a building**

The Corporation administers one of its buildings which it rents to establishments or agencies chosen by the ministère de la Santé et des Services sociaux.

	1988	1987
Revenue		
Rent	$492 332	$102 509
Tenants' contributions	486 300	378 198
Parking	136 356	103 110
Gouvernement du Québec subsidies		343 985
Other revenue	28 062	24 828
	1 143 050	952 630
Expenditure		
Wages, salaries and fringe benefits	235 351	202 316
Heating	135 577	116 866
Electricity	108 255	111 834
Maintenance and repairs	139 049	187 482
Insurance	24 179	21 573
Security	132 889	196 980
Parking	27 454	28 454
Miscellaneous	45 366	5 230
	848 120	870 735
Net revenue for the operation of a building	$294 930	$81 895

During the fiscal year ended March 31, 1989, the Corporation expects to carry out restoration work for an amount of approximately $365 000. The work should be self-financing using the revenue generated during fiscal 1987-1988 by the rental of a building.

14. **Commitments and contingent liability**

a. Construction and restoration projects under way

At March 31, 1988, the estimated cost of construction contracts for construction and restoration projects not yet completed totalled $60.3 million, including $5 million for contractual commitments to be honoured during the coming fiscal years.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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14. Commitments and contingent liability (cont'd)

b. Building self-insurance

Buildings belonging to the Corporation are self-insured; losses resulting from insurance claims are assumed by the Corporation and charged to operations.

15. Comparative figures

Certain comparative figures from 1987 have been reclassified for consistency with the presentation adopted in 1988. Reclassifications include, among other things, the special presentation on the statement of operations and surplus of Government of Canada subsidies for public housing projects and the special presentation under balance sheet assets of accounts receivable from the regional health and social services councils for furniture and equipment acquired by the Corporation on behalf of certain establishments of the health and social services network.

AUDITOR'S REPORT

I have examined the balance sheet of the Corporation d'hébergement du Québec as at March 31, 1988, as well as the statements of operations and surplus, contributed capital and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the financial position of the Corporation at March 31, 1988 as well as the results of its operations and the change in financial position for the fiscal year then ended in accordance with the accounting policies mentioned in Note 3, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 18, 1988

CURATEUR PUBLIC (LE)
R.S.Q., c. C-80
GENERAL FUND

REVENUE AND EXPENDITURE
for the fiscal year ended December 31, 1987

	1987	1986
REVENUE		
Property administration fees	$5 705 753	$4 612 201
Less:		
Fees forgiven	1 060 797	683 061
	4 644 956	3 929 140
Supervision fees for private guardianship and wardship	61 932	66 362
Interest on general fund (page 153)	66 549	
Investigation charges and other revenue	327 721	330 706
	5 101 158	4 326 208
EXPENDITURE		
Wages, salaries and fringe benefits	5 540 961	4 889 201
Training and professional development	33 311	19 881
Travel expenses	73 970	109 235
Professional services — administration	285 866	449 123
Professional services — data processing	55 841	155 671
Rent, taxes, insurance, power and maintenance	1 245 945	1 239 891
Leasehold improvements	27 881	8 033
Telecommunications, postage and courier expenses	208 140	194 923
Stationery and office supplies	119 468	108 782
Publications and advertising	171 931	405 286
Rental and maintenance of machinery and equipment	109 640	113 760
Machinery and equipment	86 986	128 989
Other expenditure	27 488	8 740
	7 987 428	7 831 515
SURPLUS EXPENDITURE OVER REVENUE CHARGED TO THE RESERVE FUND MADE UP OF INVESTMENT EARNINGS FROM INACTIVE ACCOUNTS (page 152)	$2 886 270	$3 505 307

The notes are an integral part of the financial statements.

GENERAL FUND

CHANGE IN THE RESERVE FUND MADE UP OF INVESTMENT EARNINGS FROM INACTIVE ACCOUNTS
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE	$2 766 234	$1 912 683
Investment earnings from inactive accounts of the fund under collective administration (page 153)	3 421 427	4 358 858
Interest on reserve fund made up of investment earnings from inactive accounts (page 153)	309 432	
	6 497 093	6 271 541
Transfer of surplus expenditure over revenue (page 151)	2 886 270	3 505 307
CLOSING BALANCE	$3 610 823	$2 766 234

The notes are an integral part of the financial statements.

GENERAL FUND

BALANCE SHEET
as at December 31, 1987

	1987	1986
ASSETS		
Advance to the fund under collective administration (page 156)	$4 123 903	$3 360 422
Other assets, at cost	72 925	72 878
	$4 196 828	$3 433 300
LIABILITIES		
Accounts payable	$332 347	$413 408
Owed the gouvernement du Québec — balance of fees for the year 1982	253 658	253 658
	586 005	667 066
Reserve fund made up of investment earnings from inactive accounts (page 153)	3 610 823	2 766 234
	$4 196 828	$3 433 300

Lucienne Robillard
Public Curator

The notes are an integral part of the financial statements.

CURATEUR PUBLIC (LE)

FUNDS UNDER COLLECTIVE ADMINISTRATION

INVESTMENT EARNINGS
for the fiscal year ended December 31, 1987

	1987	1986
REVENUE		
Interest on bonds and short-term deposits	$19 550 250	$17 952 175
Amortization of discount on bonds	270 511	321 869
Gain on the disposal of bonds	39 502	830 267
	19 860 263	19 104 311
EXPENDITURE		
Commissions and securities safekeeping charges	70 609	62 171
Administration fees — general fund	990 605	770 048
	1 061 214	832 219
NET INVESTMENT EARNINGS	$18 799 049	$18 272 092
DISTRIBUTION OF NET INVESTMENT EARNINGS		
Accounts under administration		
Guardianships (page 154)	$12 052 060	$10 804 306
Vacant successions and other jurisdictions (page 155)	913 722	963 414
Interest for distribution to accounts under administration (page 155)	2 035 859	2 145 514
	15 001 641	13 913 234
Inactive accounts		
Reserve fund made up of investment earnings from inactive accounts (page 152)	3 421 427	4 358 858
General fund		
Investment earnings relating to amounts owed the general fund, including $309 432 for the reserve fund made up of investment earnings from inactive accounts (page 152) and $66 549 to the statement of revenue and expenditure (page 151)	375 981	
	$18 799 049	$18 272 092

The notes are an integral part of the financial statements.

CURATEUR PUBLIC (LE)

FUNDS UNDER COLLECTIVE ADMINISTRATION

CHANGE IN GUARDIANSHIPS
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE	$107 377 924	$89 929 137
Investment earnings (page 153)	12 052 060	10 804 306
	119 429 984	100 733 443
Receipts	80 555 508	68 042 453
Disbursements	53 830 924	46 791 860
	26 724 584	21 250 593
	146 154 568	121 984 036
Remittance of assets and transfer to inactive accounts	(20 131 721)	(14 606 112)
CLOSING BALANCE (page 156)	$126 022 847	$107 377 924

The notes are an integral part of the financial statements.

CURATEUR PUBLIC (LE)

FUNDS UNDER COLLECTIVE ADMINISTRATION

CHANGE IN VACANT SUCCESSIONS AND OTHER JURISDICTIONS
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE	$9 972 906	$8 500 881
Investment earnings (page 153)	913 722	963 414
	10 886 628	9 464 295
Receipts	2 797 709	1 992 306
Disbursements	1 006 360	752 260
	1 791 349	1 240 046
	12 677 977	10 704 341
Remittance of assets and transfer to inactive accounts	(2 322 283)	(731 435)
CLOSING BALANCE (page 156)	$10 355 694	$9 972 906

CHANGE IN INTEREST FOR DISTRIBUTION TO ACCOUNTS UNDER ADMINISTRATION
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE	$16 222 709	$14 077 195
Investment earnings (page 153)	2 035 859	2 145 514
CLOSING BALANCE (page 156)	$18 258 568	$16 222 709

CHANGE IN INACTIVE ACCOUNTS
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE	$30 473 550	$30 015 231
Transfer of guardianships, vacant successions and other jurisdictions	2 805 202	458 319
CLOSING BALANCE (page 156)	$33 278 752	$30 473 550

The notes are an integral part of the financial statements.

FUNDS UNDER COLLECTIVE ADMINISTRATION

BALANCE SHEET
as at December 31, 1987

	1987	1986
ASSETS		
Cash and short-term deposits	$8 734 637	$8 412 287
Accrued interest on bonds and short-term deposits	4 358 232	4 044 991
Bonds, unamortized cost (market value $179 086 490 in 1987; $167 997 497 in 1986)	179 281 370	155 170 907
	$192 374 239	$167 628 185
LIABILITIES		
Accounts payable	$13 184	$10 941
Deposits on offers to purchase property under appointed administration	321 291	209 733
Owed the general fund (page 152)	4 123 903	3 360 422
	4 458 378	3 581 096
Accounts under administration		
Guardianships (page 154)	126 022 847	107 377 924
Vacant successions and other jurisdictions (page 155)	10 355 694	9 972 906
Interest for distribution to accounts under administration (page 155)	18 258 568	16 222 709
Inactive accounts (Note 3, pages 159 and 155)	33 278 752	30 473 550
	187 915 861	164 047 089
	$192 374 239	$167 628 185

Lucienne Robillard
Public Curator

The notes are an integral part of the financial statements.

CURATEUR PUBLIC (LE)

FUNDS UNDER APPOINTED ADMINISTRATION

BALANCE SHEET
as at December 31, 1987

	1987	1986
ASSETS		
Cash and certificates of deposit	$4 563 678	$4 029 103
Bonds, at par value	4 626 000	3 712 250
Notes and other receivables	1 275 373	1 239 156
Mortgage loans, at cost	728 236	476 502
Stock, at market value	3 571 884	3 648 210
Real estate, at weighted assessed value after deducting mortgage loans of $1 706 722 in 1987 and $854 829 in 1986	24 298 965	19 877 635
Precious objects and goods in storage, at estimated net realization value	407 751	427 159
Motor vehicles, at estimated net realization value	375 467	485 237
	$39 847 354	$33 895 252
LIABILITIES		
Accounts receivable and equity in property under administration	$39 847 354	$33 895 252

Lucienne Robillard
Public Curator

The notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Status and nature of activities

The Public Curator is a person appointed by the government under the Public Curatorship Act (R.S.Q., chapter C-80). This Act was amended by the Act amending the Public Curatorship Act (1982, chapter 46), which was approved and became effective December 16, 1982. The main purpose of the 1982 amendments was to enable the Public Curator to finance its activities from its own resources and provide it with greater operating autonomy.

The Public Curator's main activities, rights and obligations are:

- To protect the rights of an incompetent person placed under his guardianship;
- To administer and safeguard the property of such person;
- To liquidate vacant successions;
- To administer certain non-vacant successions, derelict, escheat or confiscated property, property belonging to persons unknown or whose location is unknown and property abandoned by wound-up corporations.
- To supervise the administration of private curators and guardians.

The Curator assumes its own operating expenses from property administration fees and fees for the supervision of private guardianships and wardships. Any surplus of expenditure over revenue is charged against the Reserve Fund made up of investment earnings from inactive accounts. In the event that revenue should exceed expenditure, such surplus would be paid into the Consolidated Revenue Fund.

2. Accounting policies

Fund accounting

In accordance with the provisions of the Public Curatorship Act and the practice of fund accounting, the Public Curator uses a general fund to account for current operations related to its administration and funds under collective and appointed administration to account for transactions related to administered property.

General fund

The financial statements of the general fund of the Public Curator have been prepared using the accrual method for expenditures, and using the following accounting policy for revenue from fees.

Fees

Fees for the administration of property are recorded using the accrual method. Fees on inactive accounts are recorded when handed over. In addition, when administered accounts are handed over, certain adjustments resulting in decreased fee revenue many be needed following analysis of the fees required for transactions relating to administered property.

Fees for the supervision of private guardianships and wardships are recorded when received.

Reserve fund made up of investment earnings from inactive accounts

Investment earnings from inactive accounts are recorded in the fund under collective administration and transferred to the reserve fund made up of investment earnings from inactive accounts of the general fund. Any surplus expenditure over revenue of the general fund is charged against this fund.

Fixed assets

Acquisitions of supplies and equipment and expenses incurred to improve premises are charged to expenditure for the year.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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2. Accounting policies (cont'd)

Expenditures assumed by the gouvernement du Québec

The cost of certain support services and the employer contribution to employee pension plans are assumed by the gouvernement du Québec and are not shown in the statement of revenue and expenditure.

Fund under collective administration

The financial statements of the fund under collective administration of the Public Curator have been prepared using the cash method, with the exception of interest on investment earnings, which is recorded using the accrual method.

Distribution of net investment earnings of the fund under collective administration

Net investment earnings have been credited quarterly to the guardianship, vacant succession and other jurisdiction accounts, to the account for interest for distribution to administered accounts and to the reserve fund made up of investment earnings from inactive accounts based on their principal balance at the beginning of the year. Subsequently, investment earnings are credited to the various administered accounts based on the average daily balance of each account administered.

In addition, effective this year, the distribution of net investment earnings also applies to the amounts owed the general fund based on the year's opening balance.

Funds under appointed administration

Property under appointed administration is recorded on the books when the Public Curator's jurisdiction is established and as the existence of such property becomes known. Revenue from such property is credited to the accounts administered when received in the fund under collective administration.

3. Inactive accounts

Inactive accounts are accounts whose owners are unknown and untraceable. The money from these accounts is handed over to the Minister of Finance 10 years after their administration is terminated, as defined under the regulation respecting the enforcement of the Public Curatorship Act.

4. Accounts payable

Accounts payable recorded on the balance sheet of the fund under appointed administration are paid from the assets of each administered account in question if they are sufficient. If these accounts are not sufficient to cover their debts, the accounts payable of such administered accounts will be paid up to the value of their assets.

5. Commitments

The Public Curator is committed under operating lease contracts maturing to 1994 to pay $5 752 000 for premises and equipment.

The minimum payments required for the next five years amount to $1 171 218 in 1988, $1 130 401 in 1989, $757 189 in 1990, $410 258 in 1991 and $408 644 in 1992.

AUDITORS' REPORT

To the Minister of Justice
Parliament Building, Québec City

We have examined the balance sheets of the fund under collective administration and of the fund under appointed administration of the Public Curator of Québec as at December 31, 1987 and the statements of investment earnings and change in guardianships, vacant successions and other jurisdictions, in interest for distribution to accounts under administration and in inactive accounts of the fund under collective administration for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the fund under collective administration and of the fund under appointed administration of the Public Curator of Québec at December 31, 1987 as well as the operating results of the fund under collective administration for the year then ended in accordance with the accounting policies stated in Note 3, applied on a basis consistent with that of the previous year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montréal, May 24, 1988

AUDITOR'S REPORT

I have examined the balance sheet of the general fund of the Public Curator of Québec as at December 31, 1987 as well as the statement of change in the reserve fund made up of investment earnings from inactive accounts and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the general fund at December 31, 1987, as well as the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 3, 1988

FONDATION POUR LA CONSERVATION ET LA MISE EN VALEUR DE LA FAUNE ET DE SON HABITAT
R.S.Q., c. C-61.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Premiums collected for hunting and trapping permits (Note 4)	$823 490	
Subsidy from the gouvernement du Québec	24 000	$87 000
Interest on bank deposits	17 819	2 454
Refunding of salaries and wages by business collaborators	11 093	
Other	1 291	
	877 693	89 454
EXPENDITURE		
Wages, salaries and fringe benefits	158 837	132 787
Travel and representation expenses	15 357	16 447
Professional fees	2 937	7 500
Advertising and promotion	11 706	147
Computer and accounting expenses	6 369	5 043
Printing and office expenses	4 229	2 682
Material and equipment		2 992
Interest and bank charges	724	384
	200 159	167 982
SURPLUS REVENUE OVER EXPENDITURE	677 534	(78 528)
OPENING SURPLUS	19 892	98 420
CLOSING SURPLUS	$697 426	$19 892

FONDATION POUR LA CONSERVATION ET LA MISE EN VALEUR DE LA FAUNE ET DE SON HABITAT

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash (Note 3)	$399 421	$3 273
Short-term deposits and accrued interest	618 221	10 036
Gouvernement du Québec subsidy receivable		12 000
Accounts receivable	12 603	250
Prepaid expenses	827	780
	$1 031 072	$26 339
LIABILITIES		
Accounts payable and accrued interest	$23 646	$6 447
Trust funds (Note 3)	310 000	
	333 646	6 447
SURPLUS	697 426	19 892
	$1 031 072	$26 339

On behalf of the Board of Directors,

Michel Damphousse
George Arsenault

FONDATION POUR LA CONSERVATION ET LA MISE EN VALEUR DE LA FAUNE ET DE SON HABITAT

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and activities

The Fondation pour la conservation et la mise en valeur de la faune et de son habitat was founded under a special act to:

1. Receive donations, bequests, subsidies and other contributions and to inform the public of the advantages related to these;
2. Rent, or purchase buildings for and on behalf of the Government and to enter into agreements with individuals, agencies and associations for the development and enhancement of wildlife and wildlife habitat;
3. Promote or provide financial assistance for restoration, development and enhancement programs for wildlife and wildlife habitats on buildings covered under ministère du Loisir, de la Chasse et de la Pêche agreements or purchased by the latter in keeping with its activity plan.

2. Accounting policies

The financial statements of the Fondation were prepared by management according to the accrual method and in accourdance with the accounting principles stated below. These statements include amounts based on best estimates and judgment.

Purchase of material and equipment

The purchase of material and equipment is posted to operations.

Premiums collected for hunting and trapping permits

Premiums collected by the ministre du Loisir, de la Chasse et de la Pêche for hunting and trapping permits are recorded when received.

Expenditure assumed by the gouvernement du Québec

The cost of certain support services paid from a department's appropriations are not presented in the statement of revenue and expenditure.

3. Trust funds

During the year, the Fondation signed a framework agreement with a number of partners regarding a five-year plan for the protection and enhancement of wildlife habitats.

Under the agreement, the Fondation is committed to placing all amounts received by virtue of the agreement in trust. An amount of $310 000 was received from its partners on March 21, 1988 and deposited in a trust fund in a separate bank account on April 12, 1988.

4. Premiums collected on hunting and trapping permits

The Act respecting the financing of the Fondation pour la conservation et la mise en valeur de la faune et de son habitat, passed on June 18, 1987 and effective July 17, 1987, amended the Act respecting the conservation and development of wildlife to allow for a new mode of financing the Fondation. The new Act provides for the collection of a premium when issuing hunting and trapping permits.

FONDATION POUR LA CONSERVATION ET LA MISE EN VALEUR DE LA FAUNE ET DE SON HABITAT

AUDITOR'S REPORT

I have examined the balance sheet of the Fondation pour la conservation et la mise en valeur de la faune et de son habitat as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fondation as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies mentioned in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 16, 1988

FONDS D'AIDE AUX RECOURS COLLECTIFS
R.S.Q., c. R-2.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURES		
Financial aid to beneficiaries	$266 800	$178 000
Board of Directors		
Fees and allowances	35 693	19 040
Communications and travel expenses	7 936	6 830
	43 629	25 870
Fonds office operating costs:		
Wages, salaries and fringe benefits	175 328	168 883
Communications and travel expenses	3 452	3 200
Office expenses	6 495	5 708
Professional services	3 861	1 261
Advertising	5 422	3 593
Office equipment	392	2 306
	194 950	184 951
	505 379	388 821
REVENUE		
Subrogations	5 731	4 953
Interest on bank deposits and other revenue	1 413	1 500
Remainder from suits		1 630
	7 144	8 083
SURPLUS EXPENDITURE OVER REVENUE	498 235	380 738
Gouvernement du Québec subsidy	477 800	368 000
SURPLUS EXPENDITURE OVER REVENUE AND SUBSIDY	20 435	12 738
OPENING SURPLUS	31 172	43 910
CLOSING SURPLUS	$10 737	$31 172

FONDS D'AIDE AUX RECOURS COLLECTIFS

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$88 905	$60 852
Accrued interest	695	696
	$89 600	$61 548
LIABILITIES		
Accounts payable and accrued expenses	$38 863	22 863
Owed the gouvernement du Québec	40 000	7 513
	78 863	30 376
SURPLUS	10 737	31 172
	$89 600	$61 548

COMMITMENTS (Note 3)

On behalf of the Board of Directors,

Allan Zilbert, Chairman
Danièle Deschênes, Director

FONDS D'AIDE AUX RECOURS COLLECTIFS

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Assistance Fund for Class Action was created under the Act respecting class action for the purpose of funding class action suits as well as disseminating information related to exercising these suits.

2. Accounting policies

The Fund's financial statements were prepared by management according to the accrual method of accounting, in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Financial aid to beneficiaries and other expenditures

Aid to beneficiaries is recorded when paid, whereas all other expenditures are entered on the accrual basis.

Fixed assets

The purchase of office equipment is charged to operating expenditure.

Revenue

The remainder from decisions on class action suits is recorded as revenue when assigned to the Fund by the Court. Revenue from subrogations is entered on a cash basis.

Expenditures assumed by the gouvernement du Québec

The cost of support services paid out of the various departments' appropriations is not shown on the statement of revenue and expenditure.

3. Commitments

In addition to assistance to beneficiaries allocated and already paid out at March 31, 1988, commitments made by the directors of the Fund for such purposes amounted to approximately $490 700 at that date.

AUDITOR'S REPORT

I have examined the balance sheet of the Assistance Fund for Class Action as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies mentioned in Note 2, applied on a basis consistent with that of the preceding year.

Authorization of Fund commitments

Under its Act of incorporation, the Fund may make financial commitments other than a loan up to the amount determined by the Minister of Justice upon approval of the Fund's budget.

The Minister of Justice failed to determine the amount of these financial commitments for fiscal 1987-1988. As mentioned in Note 3, in addition to assistance to beneficiaries allocated and already paid out at March 31, 1988, similar commitments totalling approximately $490 700 had been made by the Fund's directors at that date.

The financial commitments made by the directors do not, therefore, comply with the Fonds' Act of incorporation.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 15, 1988

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS
R.S.Q., c. A-29.1

CHANGE IN FUND EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
OPENING FUND EQUITY	$10 000 000	$10 000 000
Insurance charges	204 808	192 581
Recovery of losses	69 486	82 426
Revenue from deposits (Note 6)	1 087 740	1 246 197
Gains on withdrawal of participation deposit units		60 917
Contribution from the gouvernement du Québec	20 680 464	18 735 140
	32 042 498	30 317 261
Losses reimbursed to lenders	22 042 498	20 317 261
CLOSING FUND EQUITY	$10 000 000	$10 000 000

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$11 897	$16 450
Revenue from deposits receivable	91 761	286 909
Deposits in the general fund of the Caisse de dépôt et placement du Québec		
Demand deposits	4 932	5 467
Participation deposits (Note 3)	10 006 956	10 006 956
	10 011 888	10 012 423
	$10 115 546	$10 315 782
LIABILITIES		
Accounts payable	$1 334	$1 105
Advance from the gouvernement du Québec	114 212	314 677
	115 546	315 782
FUND EQUITY (Note 4)	10 000 000	10 000 000
	$10 115 546	$10 315 782

INSURED LOANS (Note 5)

THE ACT TO AMEND THE ACT RESPECTING FARM-LOAN INSURANCE AND FORESTRY-LOAN INSURANCE (Note 7)

On behalf of the Board of Directors,

J. Claude Simoneau
Gilles Lebel

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Forest and Farm Loan Insurance Fund was created under the Act respecting farm-loan insurance and forestry-loan insurance. Since August 1, 1978, the Fund has guaranteed lenders repayment of losses in principal and interest on farm or forestry loans granted, along with any expenditure eligible under regulations and incurred by the lender to safeguard loan guarantees or for recovering from a defaulting borrower any amount become due under the terms of a loan.

2. Accounting policies

The Fund's financial statements were prepared by management according to the accounting policies described below. These statements include amounts based on best estimates and judgment.

Deposits with the general fund of the Caisse de dépôt et placement du Québec

Participation deposits are recorded at the cost of acquisition.

Insurance charges

Insurance charges are recorded on a cash basis, when cashed.

Revenue from deposits

Revenue from deposits is recorded on the accrual basis.

Reimbursement of losses to lenders

The reimbursement of losses on insured loans is recorded upon payment to lenders.

Administrative expenses

Fund administrative expenses are paid out of the various departments' and agencies' appropriations and are not shown on the financial statements.

3. Participation deposits

Participation deposits with the general fund of the Caisse de dépôt et placement du Québec are expressed in units and each unit entitles its holder to participation in proportion to the net equity and net revenue of the general fund.

At March 31, 1987 and 1988, the Fund held 12 871 participation deposit units in the general fund of the Caisse de dépôt et placement du Québec, the cost of which amounted to $10 006 956. These units are repayable on notice according to the terms of Caisse de dépôt regulations, at the realization value of the general fund's net equity at the end of each quarter. Based on the unit realization value at March 31, 1988, the value of participation deposits held at that date is estimated at $10 695 519 ($11 662 360 at March 31, 1987.

4. Fund equity

As prescribed in the Act respecting farm-loan insurance and forestry-loan insurance, the allocation of $10 million by the gouvernement du Québec in favour of the Fund, insurance fees, and loss recoveries are part of the Fund's capital. The obligations of the Fund toward lenders are paid from revenue and, if the latter is not sufficient, from such portion of its capital as exceeds $10 million.

Where revenue and that part of capital over $10 million do not suffice to meet Fund commitments, the Government is authorized to pay the sums required, at the request of the Fund, out of the Consolidated Revenue Fund.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Insured loans

At March 31, the principal balance of loans in regard to which the Fund has insured repayment of losses have been established based on information obtained from lenders, as follows:

	1988	1987
Act to promote long-term farm credit by private institutions (R.S.Q., c. C-75.1)	$1 303 358 000	$1 270 214 000
Farm Credit Act (R.S.Q., c. C-75)	17 488 000	19 457 000
Act to promote farm improvement (R.S.Q., c. A-18)	249 912 000	235 333 000
Act to promote credit to farm producers (R.S.Q., c. C-77)	42 659 000	59 655 000
Forestry Credit Act (R.S.Q., c. C-78)	22 693 000	26 165 000
Act to promote forest credit by private institutions (R.S.Q., c. C-78.1)	43 145 000	28 142 000
Act to promote special credit to agricultural producers during critical periods (R.S.Q., c. C-79)	1 767 000	2 994 000
	$1 681 022 000	$1 641 960 000

During the fiscal year, the Fund made outlays of $22 million on the $90 million it estimated would have to be paid lenders at March 31, 1987. According to an analysis of insured loans at March 31, 1988, the estimated amount of losses to lenders that the Fund may have to reimburse is $83 million; payments will be scheduled over the coming fiscal years.

6. Revenue from deposits

	1988	1987
Revenue from participation deposits in the general fund *	$1 070 857	$1 215 674
Interest on demand deposits in the general fund	10 234	17 871
Interest on bank deposits	6 649	12 652
	$1 087 740	$1 246 197

* Includes $176 049 ($274 465 at March 31, 1987) in gains and losses on the sale of investments.

7. The Act to amend the Act respecting farm-loan and forestry-loan insurance

The Act to amend the Act respecting farm-loan and forestry-loan insurance (1988, chapiter 3) was passed on March 31, 1988, but was not in effect when these financial statements were being prepared. The new act exists mainly to:

- invest the Forest and Farm Loan Insurance Fund with borrowing power;
- convert the $10 million endowment created in favour of the Fund into an advance from the Minister of Finance;
- provide for the imposition of insurance charges, payable according to deadlines determined by regulation, for all loans granted or assumed following a loan application or a request for the Office du crédit agricole du Québec to assume an existing loan;
- provide for a review of the above insurance charges, at least once every four years;
- to enable the Government, following an actuarial analysis showing that the amount of Fund capital exceeds the amount required to ensure that the Fund is self-financing, to provide under regulation for the distribution of all or part of this surplus, a decrease in insurance charge rates or at the same time a distribution of such and a decrease of such;

7. The Act to amend the Act respecting Farm-Loan and Forestry-Loan insurance (cont'd)

- authorize the Minister of Finance to use funds from the Consolidated Revenue Fund to pay for Fund commitments until April 1, 1992, so as to enable the Fund to then use its accumulated revenue and its insurance charges to honour all of its commitments itself.

AUDITOR'S REPORT

I have examined the balance sheet of the Forest and Farm Loan Insurance Fund as at March 31, 1988 and the statement of change in Fund equity for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Forest and Farm Loan Insurance Fund as at March 31, 1988 as well as the change in that position for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 4, 1988

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC
R.S.Q., c. D-9.1

REVENUE, EXPENDITURE AND DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Subsidies (Note 4)	$33 562 149	$28 898 000
Interest and other revenue (Note 5)	1 579 689	1 334 426
	35 141 838	30 232 426
SCHOLARSHIPS AND GRANTS AWARDED (Note 6)	33 965 025	29 728 033
	1 176 813	504 393
OPERATING EXPENSES		
Wages, salaries and fringe benefits	669 692	602 933
Professional fees	28 300	9 924
Travel and accommodation expenses	62 150	72 953
Offices	190 989	178 656
Office expenses	203 865	154 320
Furniture, equipment and maintenance	117 879	143 367
	1 272 875	1 162 153
SURPLUS EXPENDITURE OVER REVENUE FOR THE YEAR	(96 062)	(657 760)
OPENING SURPLUS	37 662	695 422
CLOSING (DEFICIT) SURPLUS	$(58 400)	$37 662

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Short-term deposits and accrued interest	$7 231 128	$6 022 793
Subsidies receivable	149 713	118 364
Accounts receivable	238	3 591
Prepaid expenses	14 483	48 252
	$7 395 562	$6 193 000
LIABILITIES		
Outstanding cheques less cash	$7 164	$269 650
Scholarships and grants payable	6 989 650	5 808 079
Accounts payable and accrued expenses	57 148	77 609
Deferred subsidy (Note 3)	400 000	
	7 453 962	6 155 338
(DEFICIT) SURPLUS	(58 400)	37 662
	$7 395 562	$6 193 000

COMMITMENTS (Note 7)

On behalf of the Board of Directors,

Yvon Poirier
Serge Carrière

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Québec Health Research Fund is incorporated under the Act to promote the advancement of science and technology in Québec. Its purpose is to promote or provide financial assistance through grants and scholarships for research and the training and upgrading of researchers in the health field. In addition, it implements the financial assistance programs entrusted to it by another act or, when authorized by the Government and under conditions set by it, the financial assistance programs entrusted to it by a department or public organization.

2. Accounting policies

The financial statements of the Fund were prepared by management according to the accrual method of accounting and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Scholarships and grants awarded

Scholarships and grants awarded as part of Fund activities are recorded at the time they are granted, regardless of terms under which they are granted or their payment periods, taking into account grants awarded by the Government du Québec and its agencies for the current year.

Scholarships and grants that are cancelled or repaid are recorded for the fiscal year in which they were cancelled or repaid.

Fixed assets

The purchase of furniture and equipment as well as leasehold improvements are charged to the Fund's operating expenses.

3. Deferred subsidy

At year-end, the Fund received a subsidy of $400 000 from the ministère de la Santé et des Services sociaux for grants that will be awarded during fiscal 1988-1989.

4. Revenue from subsidies

	1988	1987
Gouvernement du Québec		
Ministère de la Santé et des services sociaux		
Scholarships and grants for research	$25 805 900	$22 657 900
Scholarships and grants - Community health	542 730	250 000
Scholarships and grants - FRSQ-MSSS	103 900	
Fund operating expenses	1 248 600	935 700
	27 701 130	23 843 600
Régie de l'assurance-maladie du Québec	5 424 000	5 054 400
Régie de l'assurance automobile du Québec	212 019	
	33 337 149	28 898 000
Other	225 000	
	$33 562 149	$28 898 000

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Interest and other

Interest on short-term deposits	$1 134 401	$1 056 533
Cancellation of scholarship and grant repayments	430 837	259 608
Other	14 451	18 285
	$1 579 689	$1 334 426

6. Scholarships and grants awarded

Grants to research centres and institutes of the health and social services network	19 046 403 $	18 136 248 $
Fund research fellows (RAMQ)	5 475 586	5 256 595
Other scholarships and grants	9 443 036	6 335 190
	$33 965 025	$29 728 033

7. Commitments

Scholarships and grants

At March 31, 1988, Fund commitments with respect to scholarships and grants chargeable to the fiscal year ended March 31, 1989 totalled $25.7 million. However, the awarding of such scholarships and grants is subject to the appropriations allocated by Parliament.

Leases

Fund commitments with respect to long-term leases for office space and equipment, chargeable to the fiscal year ended March 31, 1989, total $179 045.

AUDITOR'S REPORT

I have examined the balance sheet of the Québec Health Research Fund as at March 31, 1988 and the statement of revenue, expenditure and deficit for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies disclosed in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 15, 1988

FONDS POUR LA FORMATION DE CHERCHEURS
ET L'AIDE À LA RECHERCHE
R.S.Q., c.D-9.1

GRANT USE AND SURPLUS
for the fiscal year ended May 31, 1988

	1988	1987
GOUVERNEMENT DU QUÉBEC GRANTS		
Research grants	$19 983 763	$19 168 724
Scholarships	10 890 700	10 628 900
Fund operating expenses	2 326 263	2 182 674
	33 200 726	31 980 298
INTEREST AND OTHER REVENUE	257 051	353 064
	33 457 777	32 333 362
GRANTS AND SCHOLARSHIPS AWARDED		
Research grants	20 419 111	19 244 761
Scholarships	11 131 264	11 565 764
	31 550 375	30 810 525
	1 907 402	1 522 837
FUND OPERATING EXPENSES (Note 4)	2 262 894	2 286 350
(DEFICIT) FOR THE YEAR	355 492	763 513
OPENING SURPLUS	1 716 533	2 480 046
CLOSING SURPLUS	$1 361 041	$1 716 533

FONDS POUR LA FORMATION DE CHERCHEURS ET L'AIDE À LA RECHERCHE

BALANCE SHEET
as at May 31, 1988

	1988	1987
ASSETS		
Cash	$620 364	$49 682
Short-term deposits and accrued interest	1 337 872	2 421 046
Scholarships and grants to be recovered and other receivables	5 045	11 930
Prepaid expenses	30 044	
	$1 993 325	$2 482 658
LIABILITIES		
Grants and scholarships (Note 3)	$400 458	$512 554
Accounts payable and accrued expenses	231 826	253 571
	632 284	766 125
SURPLUS	1 361 041	1 716 533
	$1 993 325	$2 482 658

COMMITMENTS (Note 6)

On behalf of the Board of Directors,

Christiane Querido
Claude Lajeunesse

FONDS POUR LA FORMATION DE CHERCHEURS
ET L'AIDE À LA RECHERCHE

NOTES TO FINANCIAL STATEMENTS
at May 31, 1988

1. Constitution and purpose

The Fund for Training Researchers and for Assistance for Research was incorporated under the Act to promote the advancement of science and technology in Québec to promote or provide financial assistance, through grants and scholarships, for research undertaken in post-Secondary education establishments, the work of researchers not attached to such establishments; the distribution of knowledge in all fields of research; training researchers by awarding scholarships based on excellence to students at the masters or doctorate level, to persons undertaking post-doctoral research and to those wishing to re-enter the research community or obtain scholarships for retraining purposes. In addition, the Fund implements the financial assistance programs entrusted to it by another act or, when authorized by the Government and under conditions set by it, the financial assistance programs entrusted to it by a department or public organization.

2. Accounting policies

The Fund's financial statements were prepared by management according to the accrual method and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Scholarships and grants awarded

Grants awarded under the program to assist the publication of scientific works are recorded at the time they are paid out, upon receipt of copies of the works published. Other scholarships and grants awarded as part of Fond activities are recorded at the time they are granted.

Scholarships and grants that are cancelled or reimbursed are recorded during the fiscal year in which they were cancelled or reimbursed.

Fixed assets

The acquisition of furniture and equipment is charged to Fund operating expenses.

3. Scholarships and grants

This item includes, among other things, scholarships payable at May 31, 1988 in the amount of $186 510 ($188 499 in 1987) that had not yet been claimed; scholarships totalling $97 838 ($188 499 in 1987) were cancelled after May 31, 1988.

4. Fund operating expenses

	1988	1987
Wages, salaries and fringe benefits	$1 426 298	$1 371 700
Travel and accommodation expenses for committee members	157 119	119 740
Transportation and communications	238 542	216 058
Professional, administrative and other services	79 895	167 982
Rent	257 184	266 423
Maintenance and repairs	33 149	54 443
Office expenses	31 491	32 717
Furniture and equipment	39 216	57 287
	$2 262 894	$2 286 350

5. Retirement plan

The supplemental pension plan for employees of the Funds for Training Researchers and for Assistance for Research is a contributory defined contribution plan. The employer's obligations are limited to contributions due in accordance with the provisions of the plan. This plan will not pay benefits in excess of available funds.

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5. Retirement plan (cont'd)

The costs of the plan for calendar year 1987, amounting to $46 721 ($47 347 in 1986) represent the cost of current service.

6. Commitments

a. Scholarships and grants

At May 31, 1988, Fund scholarships and grants commitments for the fiscal year ended May 31, 1989 were $32.9 million ($33.5 in 1988). Whether these scholarships and grants are awarded depends on the appropriations accorded by Parliament.

b. Long-term leases

Moreover, the Fund is committed under long-term leases of various durations through August 1992 for office space and equipment. The minimum annual rent for the next five years is as follows:

1989	$273 168
1990	241 643
1991	232 995
1992	99 917
1993	3 279

AUDITOR'S REPORT

I have examined the balance sheet of the Fund for Training Researchers and for Assistance for Research as at May 31, 1988, and the statement of grant use and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at May 31, 1988 and the application of grants received for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, August 26, 1988

HYDRO-QUÉBEC
R.S.Q., c. H-5

CONSOLIDATED STATEMENT OF OPERATING RESULTS
for the fiscal year ended December 31
(in millions of dollars)

	1987	1986
PROCEEDS		
Power sales (Note 2)	5 040	4 673
Other operating revenue	55	61
	5 095	4 734
EXPENDITURE		
Operations	1 246	1 129
Power purchases	110	118
Depreciation on fixed assets	500	464
Taxes (Note 3)	289	272
	2 145	1 983
PROFIT BEFORE INTEREST AND EXCHANGE LOSS	2 950	2 751
Interest (Note 4)	2 170	2 259
Exchange loss	272	189
	2 442	2 448
NET PROFIT	508	303

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the fiscal year ended December 31
(in millions of dollars)

	1987	1986
Opening balance	2 649	2 346
Net profit	508	303
Closing balance	3 157	2 649

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31
(in millions of dollars)

	1987	1986
FUNDS GENERATED FROM OPERATIONS		
Net profit	508	303
Depreciation on fixed assets	500	464
Amortization of deferred expenses	383	364
Spread between retirement costs and contributions paid	(73)	(75)
Net loss on redemption of long-term debt	5	5
	1 323	1 061
Decrease (increase) working capital (Note 12)	64	(254)
	1 387	807
FUNDS FROM OUTSIDE FINANCING		
Issue of long-term debt	1 842	1 259
Issue of perpetual debt		550
Redemption of long-term debt	(1 541)	(1 050)
	301	759
FUNDS AVAILABLE FOR INVESTMENT	1 688	1 566
INVESTMENT		
Fixed assets	1 581	1 470
Subsidies for sales programs	88	67
Other	19	29
	1 688	1 566

CONSOLIDATED BALANCE SHEET
as at December 31
(in millions of dollars)

	1987	1986
ASSETS		
FIXED ASSETS		
Property and plant (Note 5)		
In operation	28 862	27 957
Less accumulated depreciation	3 937	3 509
	24 925	24 448
Construction work in progress	2 565	1 948
	27 490	26 396
CURRENT ASSETS		
Cash and short-term investments	162	74
Accounts receivable	1 087	1 047
Materials, fuel and supplies	223	214
	1 472	1 335
OTHER ASSETS		
Investments (Note 6)	124	127
Deferred expenses (Note 7)	2 573	2 730
	2 697	2 857
	31 659	30 588

Pierre Leblance
Chairman of the Audit Committee

Guy Coulombe
Chairman of the Board and
Chief Executive Officer

Montréal, February 16, 1988

HYDRO-QUÉBEC

CONSOLIDATED BALANCE SHEET
as at December 31
(in millions of dollars)

	1987	1986
LIABILITIES AND SHAREHOLDER EQUITY		
LONG-TERM DEBT (Note 8)	21 198	20 349
CURRENT LIABILITIES		
Accounts payable	594	475
Notes payable	94	9
Accrued interest	786	789
Portion of long-term debt due within a year (Note 8)	904	1 391
	2 378	2 664
PERPETUAL DEBT (Note 9)	552	552
SHAREHOLDER EQUITY		
Capital stock		
Authorized		
50 000 000 shares with a par value of $100		
Issued and paid up:		
43 741 090 shares	4 374	4 374
Retained earnings	3 157	2 649
	7 531	7 023
	31 659	30 588

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Main accounting policies

a) Consolidation

The consolidated financial statements include the financial statements of both Hydro-Québec and its subsidiaries.

b) Rates

Under the terms of its governing Act, Hydro-Québec has been given the task of supplying power, conducting research into and promoting the use of energy, its transformation and conservation and carrying on activity in related fields. It must supply power according to the conditions and rates consistent with sound financial management. Specifically, the Hydro-Québec Act provides that rates be maintained at a level sufficient to at least cover all operating costs, debt amortization and depreciation on fixed assets over a maximum period of fifty years. Rates are set by Hydro-Québec and approved by the gouvernement du Québec.

c) Power sales

Proceeds from power sales are recorded on the basis of a cyclical billing system. Hydro-Québec also takes into account power sold but not yet invoiced.

d) Property and plant

Property and plant, which includes production, transportation and distribution facilities, administrative and service buildings, and construction, operating and research equipment are recorded at cost. Materials, direct labour, and general engineering and administrative charges that apply to construction enter into the cost. Also included is interest charged to "Construction work in progress", explained in f) below. Acquisition, improvement and renovation costs are capitalized, while upkeep and repairs are charged to operations. When assets are sold or retired, the costs and corresponding accumulated depreciation, less realization value, are recorded in a separate account; the resulting net amount is depreciated over ten years using the compound interest depreciation method, based on a rate of 3%.

The cost of production facilities is posted to "Property and plant in operation", in proportion to the number of units completed and in service over the full number planned for a new installation, on the basis of discounted projected final costs, up to accumulated cost at the time of posting. The cost of transportation, distribution and other facilities is posted to property and plant in service when completed and in commercial operation.

e) Depreciation

Fixed assets other than construction, operating and research equipment are depreciated using the compound interest depreciation method, using a 3% rate and the following anticipated service lives:

Power generating stations, dams and reservoirs, steel pylons, transmission lines and administrative and service buildings	50 years
Power station turbines and generators and distribution lines	40 years
Nuclear power station, turbine, generator and reactor	30 years
Distribution line poles	25 years

Construction, operating and research equipment is depreciated over their estimated service life, using the straight- line method.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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1. **Main accounting policies** (cont'd)

f) Interest posted to Construction work in progress

Hydro-Québec adds interest to the cost of construction under way at the weighted average rate on debt securities it has issued to finance the work. The rate was 12.84% in 1987 and 14.20% in 1986. It also takes the exchange loss on the principal of such debt securities into account.

g) Research and development

Preliminary expenses for engineering, research and studies for a pre-construction authorization project are charged to operating expenses. Hydro-Québec also charges research and development costs not related to a specific project or having to do with new energy sources, to operations.

h) Materials, fuel and supplies

Hydro-Québec values inventories of materials, fuel and supplies at average cost.

i) Investments

All investments are recorded at cost, which in the case of short-term investments approximates their current market value.

j) Deferred expenses

Subsidies for sales programs

As part of its plan to expand the Québec market, Hydro-Québec has implemented assistance programs to market electricity. The subsidies under these programs are amortized over the five years following the year they are granted, using the straight-line method.

Discount and issue charges on debt securities

Discount and issue charges on debt securities are amortized over the term of the security to which they relate using the straight-line method.

The Delaney project

Since work on the Delaney project has been deferred for an indefinite period, expenditures incurred on this project are amortized over a period of three years using the straight-line method.

Others

These deferred expenses included various amounts paid out in anticipation of future fiscal years and are amortized over less-than-forty-year periods using the straight-line method.

k) Translation of foreign currency

Proceeds and charges from transactions in foreign currencies are translated into Canadian dollars at the rates in effect at the time of the transactions. Monetary assets and liabilities are translated into Canadian dollars at the rate in effect on the date of the balance sheet; non-monetary items are translated at the rates in effect at the time of the transactions. However, monetary items covered by currency futures contracts are translated at the rates set by the conditions of such contracts.

Foreign exchange gains or losses are included in the results; those pertaining to the long-term debt are deferred and amortized using the straight-line method over the remaining term of the debt securities, except for those covered by continuous future inflows in U.S. dollars, which are deferred until the payment date of the securities in question.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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1. Main accounting policies (cont'd)

l) Sinking fund

Hydro-Québec sets up almost all of its sinking funds by redeeming its own bonds. These funds are deducted from the long-term debt and recorded at their face value, which does not necessarily correspond to cost or market value. The resulting profit, after deduction of the non-amortized balance of the discount and other expenses, is included under interest (see Note 4).

m) Pension plan

Plan costs are periodically established by independent actuaries. Pension costs are charged to operations on an annual basis and correspond to the sum of the following items:

. The cost of pension benefits granted in exchange for services provided during the current year, calculated using the unit credit actuarial cost method, prorated for years of service, and

. The amortization, over the average estimated remaining active career of employees and using the annual level percentage method, (i) of corrections arising from amendments to the plan and to the assumptions, (ii) of actuarial gains or losses and (iii) of the plan surplus calculated at the time the 1986 recommendations of the Canadian Institute of Chartered Accountants were adopted.

The cumulative difference between the amounts recorded as pension costs and contributions paid into the retirement fund is reflected in the Deferred expenses item.

2. Power sales

Power sales include $446 million ($378 million in 1986) to the United States.

3. Taxes

(in millions of dollars)

	1987	1986
Tax on capital	145	137
Tax on gross revenue, as municipal property tax on certain buildings	120	112
Real estate taxes	24	23
	289	272

4. Interest

(in millions of dollars)

	1987	1986
Interest on debt securities	2 392	2 388
Amortization of discount and issue charges on debt securities	21	24
Net loss on redemption of long-term debt	5	5
	2 418	2 417
Less		
Interest charged to Construction work in progress	192	128
Net investment earnings	56	30
	248	158
	2 170	2 259

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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5. Property and plant

(in millions of dollars)

	1987			1986		
	Property and plant in operation	Accumulated depreciation	Construction in progress	Property and plant in operation	Accumulated depreciation	Construction in progress
Power production						
Hydroelectric	13 491	1 588	1 376	13 492	1 422	1 129
Nuclear	1 455	127	13	1 453	95	10
Other	359	137	20	351	124	9
	15 305	1 852	1 409	15 296	1 641	1 148
Transmission						
Stations	2 960	353	393	2 875	309	231
Lines	4 096	482	258	4 044	436	112
	7 056	835	651	6 919	745	343
Distribution						
Stations	983	164	134	920	153	107
Lines	3 496	505	245	3 080	449	240
	4 479	669	379	4 000	602	347
Other facilities						
Administrative and service buildings	686	60	61	521	50	62
Equipment	688	372		597	322	
Miscellaneous	648	149	65	624	149	48
	2 022	581	126	1 742	521	110
Total	28 862	3 937	2 565	27 957	3 509	1 948

6. Investments

(in millions of dollars)

	1987	1986
Churchill Falls (Labrador) Corporation Limited (CFLCo) (see Note 13)		
Bonds, general mortgage, 7½%, maturing between 1988 and 2010 (par value of $85 million and $88 million respectively)	77	79
Common stock	34	34
	111	113
Miscellaneous investments	13	14
	124	127

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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7. **Deferred expenses**
(in millions of dollars)

Deferred expenses include the non-amortized balances of the following items:

	1987	1986
Unrealized loss on foreign exchange	1 890	2 116
Subsidies for sales programs	246	223
Discount and issue expenses on debt securities	193	188
Pension costs (Note 2)	148	75
Delaney project	15	29
Other	81	99
	2 573	2 730

8. **Long-term debt**

Hydro-Québec's long-term debt is guaranteed by the province of Québec, with the exception of $189 million ($448 million in 1986).

The following table gives sinking fund requirements and the maturity schedule of bonds and other long-term debts translated into Canadiam dollars.

	1987		1986	
Maturing in	(in millions of dollars)	Interest rate, weighted average	(in millions of dollars)	Interest rate, weighted average
1987			1 391	
1988	904		1 036	
1989	1 118		1 187	
1990	1 414		1 324	
1991	1 664		2 007	
1992	1 751			
1 -- 5 years	6 851	11.04%	6 945	11 57%
6 -- 10 years	6 308	9.88%	6 189	10.73%
11 -- 15 years	1 973	8.97%	1 918	9.54%
16 -- 20 years	4 165	10.58%	4 315	10.20%
21 -- 25 years	1 608	11.15%	1 250	11.13%
26 -- 30 years	382	12.40%	613	12.20%
31 -- 35 years				
36 -- 40 years	815	8.44%	510	8.56%
	22 102	10.39%	21 740	10.82%
Less Due within one year	904		1 391	
	21 198		20 349	

8. Long-term debt (cont'd)

Repayment schedules for debts in Canadian dollars and foreign currencies, as well as their Canadian dollar equivalents, detail as follows:

	(in millions of units)			1987 Total (in millions of dollars)	1986 Total
	1988 to 1992	1993 to 2027	Total	1988 to 2027	1987 to 2026
Canadian dollars	1 969	7 038	9 007	9 007	8 850
At rates based on terms of currency futures contracts					
U.S. dollars	1 037	433	1 470	1 979	1 572
Deutsche marks	150	200	350	179	179
Swiss francs	100	250	350	195	195
Yen		35 450	35 450	312	69
				11 672	10 865
At rates in effect on the date of the balance sheet					
U.S. dollars	1 115	4 352	5 467*	7 104	8 052
Deutsche marks	624	494	1 118	926	828
Swiss francs	937	456	1 393	1 425	1 181
Yen	19 116	12 884	32 000	344	279
Pounds sterling		150	150	368	308
ECUs	90		90	153	132
Dutch guilders	75	75	150	110	95
				10 430	10 875
				22 102	21 740

* 98% (97% in 1986) of which is covered by future continuous inflows of U.S. dollars.

Hydro-Québec has an unused revolving support credit facility of US$750 million, which expires in 1994. All borrowings will bear interest at a rate based on the average London Eurodollar interbank rate (LIBOR).

9. Perpetual debt

Perpetual notes, amounting to US$400 million, are shown in Canadian dollars at the rate of exchange in effect at issue ($550 million at the rate of exchange in effect on the date of the balance sheet). These notes, bearing interest at a rate based on the average London Eurodollar interbank rate (LIBOR) established quarterly, are guaranteed by the province of Québec and are redeemable solely at the option of Hydro-Québec, and not before 1991.

10. Dividend restrictions

Under the Hydro-Québec Act, Hydro-Québec dividends are declared yearly by the gouvernement du Québec, which also sets payment terms. For a given fiscal year, these may not be greater than the surplus available for distribution as follows: 75% of net consolidated operating revenue before interest and exchange losses and net investment earnings over the same fiscal year, less interest on debt securities and amortization of discount and issue charges on corporate debt securities. Calculations are based on the consolidated financial statements.

However, a dividend may not be declared for a specific fiscal year if the amount of such dividend would reduce Hydro-Québec's rate of capitalization to less than 25% at the end of the fiscal year. This rate corresponds to the ratio between shareholder equity, less declared dividends for the fiscal year, and the total long-term debt, including notes payable, the perpetual debt and shareholder equity, less dividends declared for that year.

10. Dividend restrictions (cont'd)

The Government declares a dividend for a given fiscal year within 30 days from the time Hydro-Québec provides financial information respecting the surplus available for distribution. After that period has passed, any available surplus not distributed as dividends may no longer be so assigned to the shareholder.

11. Pension plan

Hydro-Québec's pension plan is a contributory defined benefit of the end-of-career type. Benefits are guaranteed by Hydro-Québec. At December 31, 1987, 19 017 employees (18 571 employees in 1986) contributed to the plan. An actuarial valuation was carried out in 1987 to determine the present value of accrued retirement benefits, based on the forecast basic remuneration of employees until retirement. The assets of the retirement fund are valued on the basis of market value.

At December 31, 1987, the most recent valuation date, the pension plan was in a surplus position calculated as follows:

	(in millions of dollars)
Retirement fund assets	2 665
Present value of accrued retirement benefits	(2 147)
Excess amortization payments paid by Hydro-Québec	(47)
Surplus	471

Pension costs for the year ended December 31, 1987 amount to $12 million ($9 million in 1986).

12. Decrease (increase) in working capital
(in millions of dollars)

	1987	1986
Decrease (increase) in current assets		
Cash and short-term investments	(88)	(58)
Accounts payable	(40)	(106)
Materials, fuel and supplies	(9)	12
	(137)	(152)
Increase (decrease) in current liabilities		
Accounts receivable	119	(80)
Notes payable	85	(59)
Accrued interest	(3)	37
	201	(102)
	64	(254)

13. Commitments, contingent liabilities and capital spending

Churchill Falls

On May 12, 1969, Hydro-Québec signed a contract with Churchill Falls (Labrador) Corporation Limited (CFLCo) committing Hydro-Québec to purchase virtually all power generated by the Churchill Falls station, with a rated capacity of 5 225 000 kilowatts, for a forty-year period beginning September 1, 1976, except for a maximum of 300 000 kilowatts which CFLCo could reserve for itself. The contract will be renewed automatically for a further 25 years, under terms already agreed upon.

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13. Commitments, contingent liabilities and capital spending (cont'd)

Under the terms of the contract, Hydro-Québec agreed to purchase power, whether it is used or not, subject to certain limitations and compensation measures, and pay part of interest charges on debts contracted by CFLCo to finance construction of the generating facility as well as a portion of exchange losses for the construction of the generating facility, as well as a portion of the exchange losses sustained on servicing the debt in U.S. currency. Hydro-Québec may be required to provide further funds through the purchase of subordinated debentures and common stock if no other means of covering CFLCo expenditures and debt servicing were available.

Two legal actions are currently pending before the courts concerning title to the energy produced by the Churchill Falls generating facility:

. In 1976, the Attorney General of Newfoundland sued Hydro-Québec and CFLCo to obtain delivery to Newfoundland of 800 000 kilowatts of power produced from the waters of the upper Churchill River.

. In 1977, Hydro-Québec initiated legal proceedings in Québec to have its rights confirmed in regard to the energy produced by the Churchill Falls generating facility.

The trial and appeal courts, in both Newfoundland and Québec, found in favour of Hydro-Québec. However, in May 1986, the Supreme Court of Canada authorized the Attorney General of Newfoundland to appeal the decision rendered by the Newfoundland Court of Appeal on the one hand, and CFLCo to appeal the decision rendered by the Québec Court of Appeal on the other.

Capital spending

Hydro-Québec forecasts capital spending of $2 168 million in 1988.

14. Comparative figures

Certain comparative figures from 1986 have been reclassified for consistency with the presentation adopted in 1987.

AUDITORS' REPORT

To the gouvernement du Québec:

We have examined the consolidated balance sheet of Hydro-Québec as at December 31, 1987 and the consolidated statements of operating results, retained earnings and change in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and therefore included such tests and other procedures we considered necessary in the circumstances.

In our opinion, these consolidated statements present fairly the financial position of Hydro-Québec at December 31, 1987 as well as the results of its operations and change in financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Charette, Fortier, Hawey
Touche Ross
Chartered Accountants

Samson Bélair
Chartered Accountants

Montréal, January 29, 1988

CHANGE IN NET ASSETS
for the fiscal year ended December 31
(in millions of dollars)

	1987	1986
OPENING BALANCE	2 165	1 893
INCREASE		
Current contributions		
Employees	35	34
Hydro-Québec	70	68
	105	102
Hydro-Québec contribution (Note 3)	16	18
Investment earnings	219	238
	340	358
	2 505	2 251
DECREASE		
Excess amortization payments paid by Hydro-Québec (Note 3)	5	15
Benefits paid	75	71
	80	86
CLOSING BALANCE	2 425	2 165

HYDRO-QUÉBEC -- PENSION FUND

NET ASSETS
as at December 31
(in millions of dollars)

	1987	1986
INVESTMENTS (Note 2)		
Bonds		
issued or guaranteed by the Government of Canada	219	198
issued or guaranteed by the Province of Québec	244	247
issued by Hydro-Québec and guaranteed by the Province of Québec	481	517
issued or guaranteed by other provinces,	48	52
municipalities, school boards, CEGEPs, hospitals and universities	221	188
Corporate bonds	234	227
	1 447	1 429
Common stock	443	259
Heavily discounted investments guaranteed by provinces or by the Government of Canada	208	210
Other investments	17	5
Cash and short-term investments	310	276
	2 425	2 179
ACCRUED INTEREST ON INVESTMENTS	42	42
ACCOUNTS RECEIVABLE	5	3
	2 472	2 224
LESS		
Excess amortization payments paid by Hydro-Québec (Note 3)	47	59
	2 425	2 165

Pierre Leblanc
Chairman of the Audit Committee

Guy Coulombe
Chairman of the Board and
Chief Executive Officer

Montréal, February 16, 1988

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Main accounting policies

a) The financial statements show only the net assets of the Pension Fund for Hydro-Québec employees, not its capability of meeting pension plan commitments, which are guaranteed by Hydro-Québec.

b) Investments are shown at cost, except for bonds and heavily discounted investments which are shown at amortized cost.

c) Contributions and investment earnings, as well as pension benefits, are recorded on the accrual basis.

2. Market value of investments
(in millions of dollars)

	1987	1986
Bonds (par value of $1 446 million in 1987 and $1 420 million in 1986	1 441	1 526
Common stock	446	276
Heavily discounted investments	218	247
Other investments	17	5
Cash and short-term investments	310	276
	2 432	2 330

3. Actuarial studies

An independent actuarial valuation was carried out in 1987 on the funding of the pension fund. It determined that the plan as a whole was in a net surplus position as at December 31, 1986. The fund for the basic plan of the pension fund showed a surplus of $250 million, whereas the fund for the supplemental plans showed a deficit of $120 million. Under the rules governing the retirement plan, Hydro-Québec must cover the annual amortization of this deficit over a period of no more than 15 years.

Previous actuarial studies showed Hydro-Québec paid excess amortization payments through fiscal 1982-1984. These contributions, together with the interest thereon, are recorded as a reduction of the assets of the pension fund in the item Excess amortization payments paid by Hydro-Québec.

AUDITORS' REPORT

To the directors:

We have examined the statement of net assets of the Pension Fund for Hydro-Québec employees as at December 31, 1987 and that of change in net assets for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and therefore included such tests and other procedures deemed necessary in the circumstances.

In our opinion, these statements present fairly the net assets of the Pension Fund at December 31, 1987 as well as the change in its net assets for the fiscal year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Charette, Fortier, Hawey
Touche Ross
Chartered Accountants

Samson Bélair
Chartered Accountants

Montréal, January 29, 1988

INSTITUT DE RECHERCHE ET D'INFORMATION SUR LA RÉMUNÉRATION
R.S.Q., c. R-8.2

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Wages, salaries and fringe benefits	$973 766	$893 428
Remuneration consultants	142 256	6 200
Professional fees	4 793	13 493
Representation and travel	42 951	35 245
Rent	184 008	181 715
Furniture, equipment and leasehold improvements	31 845	122 665
Communications	20 279	17 574
Subscriptions, contributions and conventions	28 025	31 256
Printing	64 473	35 685
Office supplies and expenses	81 596	45 440
Interest and bank charges	5 123	1 737
	1 579 115	1 384 438
REVENUE		
Interest on bank deposits	14 783	24 037
Sales of reports	3 325	2 185
	18 108	26 222
SURPLUS EXPENDITURE OVER REVENUE	1 561 007	1 358 216
GOUVERNEMENT DU QUÉBEC SUBSIDY	1 532 700	1 485 100
SURPLUS EXPENDITURE OVER SUBSIDY AND REVENUE	(28 307)	126 884
OPENING SURPLUS	191 849	64 965
CLOSING SURPLUS	$163 542	$191 849

INSTITUT DE RECHERCHE ET D'INFORMATION SUR LA RÉMUNÉRATION

BALANCE SHEET
as at March 31, 1988

	1988	1987
CURRENT ASSETS		
Cash and term deposits	$280 885	$284 423
Prepaid expenses	34 388	33 757
Accounts receivable	2 463	2 606
	$317 736	$320 786
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$154 194	$128 937
SURPLUS	163 542	191 849
	$317 736	$320 786

COMMITMENT (Note 3)

On behalf of the Board of Directors,

Jean-Louis Hérivault
Hélène Wavroch

INSTITUT DE RECHERCHE ET D'INFORMATION SUR LA RÉMUNÉRATION

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

1. Constitution, purpose and financing

The Institut de recherche et d'information sur la rémunération is a corporation incorporated under the Act respecting the negotiation regime for collective agreements in the public and para-public sectors. Its purpose is to inform the public concerning the comparative state and trends of the overall pay of employees of the Government, school boards, colleges and other public establishments, on the one hand, and of the overall pay of other employees in Québec in any category it determines, on the other hand.

The funds the Institut needs for its operations are provided from appropriations voted each year for such purpose by the National Assembly as part of the budget of the ministère du Travail (Program 2).

2. Accounting policies

The Institut's financial statements have been prepared by management using the accrual method and in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Fixed assets

Purchases of furniture and equipment as well as expenses for leasehold improvements are charged to operations.

Pension plan

The employer's contribution to the Government and Public Employees Retirement Plan is assumed by the gouvernement du Québec and is not shown in the financial statements.

3. Commitment

Yearly instalments of $154 135 on an operating lease for administrative offices falling due March 31, 1991.

4. Comparative figures

Certain comparative figures from the statement of revenue, expenditure and surplus for 1987 have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Institut de recherche et d'information sur la rémunération as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institut at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 9, 1988

INSTITUT QUÉBÉCOIS DE RECHERCHE SUR LA CULTURE
R.S.Q., c. I-13.2

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Gouvernement du Québec subsidy	$2 082 314	$1 996 200
Research grants:		
Government of Canada and others	290 172	316 075
Interest on term deposits	13 227	53 614
Sale of publications	70 562	79 457
Other	20 847	12 641
	2 477 122	2 457 987
EXPENDITURE (Note 6)		
Research	2 132 336	2 337 000
Administration	275 620	264 767
	2 407 956	2 601 767
NET REVENUE (NET LOSS)	$69 166	$(143 780)

EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$354 386	$498 166
Net revenue (net loss)	69 166	(143 780)
CLOSING BALANCE	423 552 $	354 386 $

INSTITUT QUÉBÉCOIS DE RECHERCHE SUR LA CULTURE

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Net revenue (net loss)	$69 166	$(143 780)
Item not affecting liquid assets:		
Depreciation of fixed assets	30 244	27 882
Funds generated (used) by operations	99 410	(115 898)
Change in current assets and liabilities other than liquid assets	(62 335)	25 355
Funds generated (used) by operating activities	37 075	(90 543)
INVESTMENT ACTIVITIES		
Funds used:		
Acquisition of fixed assets	(23 625)	(27 431)
FINANCING ACTIVITY		
Funds used:		
Commitments under capital lease contracts	(914)	(5 842)
INCREASE (DECREASE) IN LIQUID ASSETS OVER THE FISCAL YEAR	12 536	(123 816)
OPENING CASH POSITION	81 248	205 064
CLOSING CASH POSITION	$93 784	$81 248

INSTITUT QUÉBÉCOIS DE RECHERCHE SUR LA CULTURE

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$93 784	$81 248
Accounts receivable	24 211	17 750
Grants receivable	100 525	8 694
Inventories	180 254	201 203
Work in progress	24 911	14 920
Expenses posted to coming fiscal year	6 600	5 319
	430 285	329 134
Fixed assets (Note 3)	143 074	149 693
	$573 359	$478 827
ENDOWMENT FUND (Note 4)	$318 070	$292 460
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$102 022	$87 629
Commitments under capital lease contracts (Note 5)	14 666	16 275
Deferred revenue	23 181	9 685
	139 869	113 589
COMMITMENTS UNDER CAPITAL LEASE CONTRACTS (Note 5)	9 938	10 852
EQUITY	423 552	354 386
	$573 359	$478 827
ENDOWMENT FUND - FUND BALANCE (Note 4)	$318 070	$292 460

On behalf of the Institut,

Georges Lamy
Nicole Laflamme

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Institut québécois de recherche sur la culture was founded under a special Act to promote Québec's cultural development by undertaking, encouraging and supporting research and studies on the different aspects of cultural phenomena.

By regulation, the Institut created an endowment fund to hold sums received by donation, endowment, grant or other form of contribution, apart from those received from the Government, its departments or its agencies. These sums may be used only for the purposes of assisting the Institut's development and defraying the costs of cultural research. Property of the Institut, the Fund's equity may not be withdrawn from the Fund. Only the Fund's earnings may be used for Institut ends.

2. Accounting policies

The Institut's financial statements were prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

Inventories

Inventories consist of publications, which are valued at the costs of printing, copyright and graphics; wages, salaries, fees and other indirect production charges are excluded. These are valued at the lesser of such costs or net realization value.

Inventory of publications a year or more old at March 31 is written down 20% per year.

Work in progress

This item includes the cost of revising and proofreading manuscripts, professional fees, and graphics and photography services for publications not yet completed.

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated service life at the following rates:

	Service life	Rate
Equipment, furniture and sign	10 years	10%
Library	20 years	5%

Lease contracts

When, under the terms of a lease, almost all advantages and risks pertaining to the property of the leased good are to the advantage or fall under the responsibility of the Institut, the cost of the leased good and the real value of the resulting commitment are recorded as if it were the acquisition of assets or a loan. The goods under a capital lease contract are depreciated in the same manner as other fixed assets.

Rental payments under capital lease contracts are posted to operations.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Furniture	$112 575	$72 716	$39 859	$48 186
Library	9 466	3 688	5 778	6 252
Sign	937	563	374	467
Equipment	101 623	55 704	45 919	44 877
	224 601	132 671	91 930	99 782
Goods leased under capital lease contracts	82 590	31 446	51 144	49 911
	$307 191	$164 117	$143 074	$149 693

4. Endowment fund

	1988	1987
Revenue		
Interest on term deposits	$24 615	$20 281
Gifts	1 000	31 060
	25 615	51 341
Expenditure	5	15
Surplus revenue over expenditure	25 610	51 326
Opening Fund balance	292 460	241 134
Closing Fund balance*	$318 070	$292 460
* Made up of:		
Cash	$9 532	$8 537
Term deposits	307 007	282 888
Accrued interest receivable	1 531	1 035
	$318 070	$292 460

The Institut's statement of revenue and expenditure does not include the transactions of the Endowment Fund.

5. Commitments under capital lease contracts

	1988	1987
Commitments under capital lease contracts of 16% and 22% falling due up to 1990	$24 604	$27 127
Payments falling due in the coming year	(14 666)	(16 275)
	$9 938	$10 852

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Commitments under capital lease contracts (cont'd)

Minimum payments under capital lease contracts are as follows:

Year	
1989	$17 901
1990	8 138
1991	3 178
Total minimum payments payable	29 217
Less: Amount representing interest	4 613
	$24 604

6. Expenditure

	1988			1987
	Research	Administration	Total	Total
Wages, salaries and fringe benefits	$1 453 938	$177 464	$1 631 402	$1 748 990
Researchers' fees	83 947		83 947	173 629
Cultural activities	21 046		21 046	41 962
Travel and representation expenses	45 543	24 616	70 159	66 639
Furnishings and supplies	60 503	6 304	66 807	60 982
Advertising	36 637		36 637	42 443
Maintenance and repairs	14 578	2 573	17 151	17 513
Rent	164 624	28 845	193 469	182 363
Electricity and heating	2 487	439	2 926	2 902
Telephone	35 564	5 934	41 498	39 246
Taxes and insurance	54 623	9 639	64 262	4 757
Professional fees		1 262	1 262	8 566
Publishing costs	83 250		83 250	161 811
Miscellaneous	28 752	554	29 306	7 923
Interest and bank charges		13 453	13 453	5 503
Bad debts	188		188	3 055
Inventories written down	20 949		20 949	5 601
Depreciation on fixed assets	25 707	4 537	30 244	27 882
	$2 132 336	$275 620	$2 407 956	$2 601 767

INSTITUT QUÉBÉCOIS DE RECHERCHE SUR LA CULTURE

AUDITOR'S REPORT

I have examined the balance sheet of the Institut québécois de recherche sur la culture as at March 31, 1988 and the statements of revenue, expenditure and surplus, equity and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institut at March 31, 1988 and the results of its operations and the change in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

On behalf of the Auditor General of Québec,

Guy Breton, C.A.
Assistant Auditor General

Québec, July 7, 1988

INSTITUT QUÉBÉCOIS DU CINÉMA
R.S.Q., c. C-18.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Wages, salaries and fringe benefits	$104 105	$97 769
Long-distance travel and representation expenses	12 332	21 442
Expenses related to the Fête du cinéma	10 573	
In-city travel and other expenses of members	6 070	5 016
Professional fees	10 066	1 916
Communications and advertising	20 112	15 212
Rent, maintenance and insurance	30 211	30 322
Taxes and licences	3 898	4 120
Furniture and equipment rental	5 783	7 900
Furnishings and supplies	10 497	8 214
Depreciation on fixed assets	6 957	10 080
Loss on the disposal of fixed assets	1 208	
Interest and bank charges	730	1 298
Feasibility study		9 800
Allowance for members' attendance		9 730
	222 542	222 819
REVENUE		
Interest on bank deposits and other revenue	15 619	5 290
SURPLUS EXPENDITURE OVER REVENUE	206 923	217 529
GOUVERNEMENT DU QUÉBEC SUBSIDY (Note 5)	230 000	216 188
SURPLUS REVENUE AND GRANTS OVER **EXPENDITURE**	23 077	(1 341)
OPENING SURPLUS	16 524	17 865
CLOSING SURPLUS	$39 601	$16 524

INSTITUT QUÉBÉCOIS DU CINÉMA

BALANCE SHEET
as at March 31, 1988

	1988	1987
CURRENT ASSETS		
Cash and term deposit	$47 355	$21 284
Accounts receivable	1 516	207
Prepaid expenses	8 416	1 644
	57 287	23 135
FIXED ASSETS (Note 3)	31 748	22 553
	$89 035	$45 688
CURRENT LIABILITIES		
Bank loan		$556
Accounts payable and accrued expenses	$24 177	13 674
Deferred subsidies (Note 4)	25 257	14 934
	49 434	29 164
SURPLUS	39 601	16 524
	$89 035	$45 688

COMMITMENTS (Note 6)

On behalf of the Institut,

Jean Colbert
Marc F. Gélinas

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

1. Constitution and purpose

The Institut québécois du cinéma is a corporation within the meaning of the Civil Code and was incorporated under the Cinema Act.

The purpose of the Institut is to advise the Minister of Cultural Affairs of Québec on the preparation and implementation of its policy with respect to cinema and to conduct research and studies in the field of cinema.

2. Accounting policies

The Institut's financial statements were prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

Fixed assets

Acquisitions of fixed assets are recorded at cost and depreciated using the following rates and methods:

	Method	Rate
Office furniture and equipment	Diminishing balance	20 %
Computer hardware	Straight-line	33 1/3 %
Leasehold improvements	Straight-line	Term of lease

3. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Office furniture and equipment	$30 480	$13 859	$16 621	$12 930
Computer hardware	21 955	7 289	14 666	8 559
Leasehold improvements	9 660	9 199	461	1 064
	$62 095	$30 347	$31 748	$22 553

4. Deferred subsidies

During the fiscal year ended March 31, 1985, the Institut received a subsidy of $20 000 from the gouvernement du Québec to finance an information tour on the Cinema Act and for consultation for the purpose of drawing up a profile of film activity in the regions. The unused balance of the subsidy at March 31, 1988 totalled $10 257.

The portion of the subsidy covering expenses incurred for the tour during fiscal 1987-1988, ($4 677; $1 188 in 1986-1987) has been transferred to operations.

The Institut received an additional subsidy of $15 000 from the gouvernement du Québec for research into the economics of film. At March 31, 1988, no expense had as yet been incurred for such research.

5. Gouvernement du Québec subsidies

	1988	1987
Operations	$220 000	$211 188
Fête du Cinéma	10 000	
Feasibility study		5 000
	$230 000	$216 188

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6. Commitments

Leases

L'Institut is commited under long-term leases maturing in 1991 for office space and equipment. Minimum annual rent is $32 555.

Service contracts

During the year, the Institut entered into service contracts, committing itself to conduct studies and research for a maximum of $9 750. At March 31, 1988, no expenses had as yet been incurred in relation to the said contracts.

AUDITOR'S REPORT

I have examined the balance sheet of the Institut québécois du cinéma as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institut as at March 31, 1988 and the results of its operations for the year then ended, in accordance with generally accepted accounting policies applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 6 1988

LOTO-QUÉBEC
R.S.Q., c. S-13.1

CONSOLIDATED STATEMENT OF OPERATING RESULTS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
SALES - Lottery tickers	1 036 491	998 040
COST OF SALES		
Winnings	477 784	460 311
Discounts to retailers	54 777	53 047
Printing of tickets	21 338	19 423
	553 899	532 781
GROSS EARNINGS	482 592	465 259
OPERATING EXPENSES		
Advertising and communications	19 826	17 650
Distribution and sales	16 807	16 649
Data processing and systems	22 754	23 646
Administration	16 508	17 475
Research and development	1 589	1 209
Depreciation on fixed assets	9 919	10 564
	87 403	87 193
Interest earnings - net (Note 9)	2 382	2 831
	85 021	84 362
EARNINGS **BEFORE THE FOLLOWING ITEMS**	397 571	380 897
Payments to the Government of Canada for withdrawal from the field of lotteries (Note 10)	17 069	19 030
Special contribution		1 000
Special commissions to non-profit organizations (Note 11)	452	492
	17 521	20 522
NET PROFIT	380 050	360 375

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPENING BALANCE	20 976	5 601
Net profit	380 050	360 375
Dividend to the Minister of Finance	(390 000)	(345 000)
CLOSING BALANCE	11 026	20 976

CONSOLIDATED STATEMENT OF CHANGE IN LIQUID ASSETS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING ACTIVITIES		
Net profit	380 050	360 375
Items not affecting liquid assets		
Depreciation on fixed assets	9 919	10 564
Funds generated from operations	389 969	370 939
Change in current assets and liabilities excluding liquid assets	(52 059)	13 023
Funds generated from operating activities	337 910	383 962
FINANCING ACTIVITIES		
Dividend to the Minister of Finance	(390 000)	(345 000)
Commitments under capital lease contracts - net	(926)	(1 760)
Funds absorbed by financing activities	(390 926)	(346 760)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(3 322)	(5 283)
Acquisition of assets held under capital lease contracts		(63)
Proceeds from the disposal of assets held under capital lease contracts	93	270
Funds absorbed by investment activities	(3 229)	(5 076)
DECREASE (INCREASE) IN LIQUID ASSETS DURING THE YEAR	(56 245)	32 126
OPENING LIQUID ASSETS	53 511	21 385
CLOSING (DEFICIENCY IN) LIQUID ASSETS	(2 734)	53 511

The deficiency in Loto-Québec's liquid assets include the bank loan less cash and term deposits.

LOTO-QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	712	53 511
Advance - subsidiary, Lotim Inc. (Note 3)	700	951
Accounts receivable (Note 4)	20 628	13 531
Prepaid expenses	8 982	4 377
	31 022	72 370
INVESTMENT (Note 5)		
Wholly-owned subsidiary		
FIXED ASSETS (Note 6)	37 762	44 452
	68 784	116 822
LIABILITIES		
CURRENT LIABILITIES		
Bank loan	3 446	
Winnings payable	7 310	4 029
Dividend payable to the Minister of Finance		41 000
Accounts payable and accrued expenses	18 865	26 538
Unclaimed winnings (Note 7)	2 342	5 626
Deferred income - lottery tickets	24 837	16 769
	56 800	93 962
COMMITMENTS UNDER CAPITAL LEASE CONTRACTS (Note 8)		788
1 714		
SHAREHOLDER EQUITY		
Authorized share capital, issued and paid up: 1 700 shares at $100 par value	170	170
RETAINED EARNINGS	11 026	20 976
	11 196	21 146
	68 784	116 822

COMMITMENTS (Note 12)

On behalf of the Board of Directors,

David Clark
Francine Harel-Giasson

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société des loteries et courses du Québec, or Loto-Québec, is a joint-stock company whose shares are held by the gouvernement du Québec. Under its act of incorporation, Loto-Québec is charged with operating and administering lotteries and, with Government authorization, holding races. In addition, Loto-Québec may, for a consideration, provide consultation and development services within its capabilities.

2. Main accounting policies

The financial statements of Loto-Québec were prepared by management according to generally accepted accounting principles and in accordance with the accounting policies described below, within reasonable limits of materiality.

Consolidation

The consolidated financial statements include the accounts of Loto-Québec and those of its wholly-owned subsidiary Lotim Inc., whose fiscal year ended December 31, 1987.

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method based on their estimated service life, at the following annual rates:

Building	2%
Office furniture	10%
Equipment	33 1/3% and 20%
Furnishings and leasehold improvements	20% and 10%
Rolling stock	30%

Capital lease contracts

Assets and commitments under capital lease are shown at the present value of outstanding payments, as if it were an asset acquisition or a loan. As with other fixed assets, these assets are depreciated according to the straight-line method.

Rent payable under capital lease contracts is charged to operating results.

Revenue

Gross revenue from the sale of lottery tickets is recorded on the date the draw is held, with instant-draw tickets entered at the time of sale.

Lottery tickets sold on March 31 for subsequent draws generate revenue which is posted to deferred income, with discounts to retailers posted to prepaid expenses.

Winnings awarded

In addition to cash prizes, Loto-Québec also awards free tickets. The value assigned to these prizes is equal to the sale price and is included in sales as revenue, and in prizes awarded as an expenditure.

3. Advance - subsidiary, Lotim inc.

An advance covering the period January 1, 1988 to March 31, 1988 was made to the wholly-owned subsidiary Lotim Inc. (1987: from January 1, 1987 to March 31, 1987).

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

4. Accounts receivable

(in thousands of dollars)

	1988	1987
Ticket retailers	3 639	4 312
Wholesale distributors	12 094	3 256
Société de la Loterie Interprovinciale Inc.	4 312	5 069
Miscellaneous	583	894
	20 628	13 531

5. Investment

At March 31, 1987, Loto-Québec held all S.O.D.I.C. Québec Inc. capital stock, consisting of one common share with a par value of $10. In August 1987, this share was sold to the Minister of Agriculture, Fisheries and Food at its par value of $10.

6. Fixed assets

(in thousands of dollars)

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Land	3 103		3 103	2 709
Building	18 274	1 427	16 847	17 172
Furnishings and leasehold improvements	11 702	4 337	7 365	6 832
Equipment	51 955	45 318	6 637	12 184
Office furniture and rolling stock	4 991	2 524	2 467	2 801
	90 025	53 606	36 419	41 698
Assets held under capital lease contracts:				
Computer equipment	6 312	4 969	1 343	2 754
	96 337	58 575	37 762	44 452

7. Unclaimed winnings

Unclaimed Mini-Loto, Inter-Loto and Sélect 42 winnings are posted to a provision for later bonus distribution.

Following the abolition of the 6/36 during the year, unclaimed winnings posted to the above provision were transferred to results. Any subsequent claims will be recorded at sales cost at the time of payment.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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8. Commitments under capital lease contracts
(in thousands of dollars)

	1988	1987
Commitments under capital lease contracts, rates varying between 14% and 22%, maturing until 1991	1 638	3 312
Instalments payable within a year (charged to Accounts payable and accrued expenses)	850	1 598
	788	1 714

Minimum payments to be made under capital lease commitments are as follows:

1989	1 046
1990	813
1991	44
Total for minimum payments	1 903
Interest included in minimum payments	265
	1 638

9. Interest earnings - net
(in thousands of dollars)

	1988	1987
Interest on short-term investments	2 767	3 524
Less: Interest on commitments under capital lease contracts	385	693
	2 382	2 831

10. Payments to the Government of Canada as compensation for its withdrawal from the field of lotteries

Under the terms of the agreement reached between the provincial and federal governments concerning the latter's withdrawal from the field of lotteries, the provinces pay $24 million (1979 dollars) annually as compensation. Under a second agreement, the provinces will repay the federal government an additional sum of $100 million over a three-year period beginning in 1985. This second agreement expired on December 31, 1987.

Québec's share is payable by Loto-Québec according to the agreement reached between the provinces and regional lottery corporations. For fiscal 1988-1989, Loto-Québec will have to pay approximately $11 million as its contribution.

11. Special commissions to non-profit organizations

In accordance with a shareholder decision, there is a commission equal to the discount for ticket retailers paid to non-profit organizations selling tickets through the LOTOMATIQUE subscription system.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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12. Commitments

Lease

The Société is committed under a lease expiring in 2003 to pay a minimum of $54 419 724 for office space rented by its head office in a building jointly owned by the Société and Immeubles Cadimont Inc.

Rental expenses for the fiscal year ended March 31, 1988 amount to $3 637 378 ($3 401 233 in 1987). Consolidated expenses for rent was $1 818 689.

Minimum annual rent for each of the next five fiscal years is $3 401 233.

Direct lottery network

During the year, the gouvernement du Québec authorized Loto-Québec to replace its computer equipment for direct lotteries and set up a relief station for a total of $50 600 000. At March 31, 1988, the Société was committed for $26 560 814 in relation to this project.

AUDITOR'S REPORT

I have examined the consolidated balance sheet of Loto-Québec as at March 31, 1988 and the consolidated statements of operating results, retained earnings, and changes in liquid assets for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of Loto-Québec as at March 31, 19887, the results of its operations and change in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 13, 1988

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL
R.S.Q., c. M-44

REVENUE, EXPENDITURE AND EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE (Note 3)		
Conservation	$1 410 474	$1 206 506
Communications	489 781	485 729
Administration	1 691 850	1 433 825
	3 592 105	3 126 060
REVENUE		
Federal grants for specific projects	305 181	181 300
Interest and other	153 010	140 983
	458 191	322 283
SURPLUS EXPENDITURE OVER REVENUE	3 133 914	2 803 777
Subsidy from the gouvernement du Québec	2 965 804	2 807 600
SURPLUS EXPENDITURE OVER REVENUE AND SUBSIDY FOR THE YEAR	168 110	(3 823)
OPENING EQUITY	471 838	468 015
CLOSING EQUITY	$303 728	$471 838

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Bankers' acceptances	$489 635	$792 281
Subsidies receivable	143 704	15 650
Accounts receivable	62 395	14 207
Prepaid expenses	56 228	7 115
	$751 962	$829 253
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash	$57 567	$29 596
Accounts payable and accrued expenses	378 292	320 319
Deferred revenue	12 375	7 500
	448 234	357 415
EQUITY (Note 6)	303 728	471 838
	$751 962	$829 253

On behalf of the Board of Directors,

J.V. Raymond Cyr
Monique Parent-Dufour

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

1. Constitution

A corporation within the meaning of the Civil Code, the Musée d'Art contemporain de Montréal was incorporated under the National Museums Act. Its purpose is to make known, further and preserve contemporary Québec art and to ensure the presence of international contemporary art through acquisitions, exhibitions and other activities.

2. Accounting policies

The Musée's financial statements were prepared by management according to the accrual method of accounting and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Fixed assets

The acquisition of fixed assets is charged to operations.

Works of art

Acquisitions of works of art are charged to operations.

The Musée's permanent collection, including works of art received by donation, is not shown in the balance sheet.

Pension plans

Employers contributions to the Government and Public Employee Retirement Plan (RREGOP) and Civil Service Superannuation Plan (CSSP) are assumed by the gouvernement du Québec and are not shown on the financial statements.

3. Expenditure by category

	Conservation	Communications	Administration	Total	
				1988	1987
Wages, salaries and other remuneration	$673 351	$159 102	$541 288	$1 373 741	$1 076 553
Professional, administrative and other services	204 176	66 846	581 912	852 934	787 337
Transportation and communications services	201 290	157 975	126 708	485 973	370 044
Furnishings and supplies	85 516	105 858	148 180	339 554	326 608
Rent	46 250		122 702	168 952	117 764
Maintenance and repairs			106 460	106 460	59 439
Material and equipment			64 600	64 600	16 976
Acquisitions of works of art	199 891			199 891	371 339
	$1 410 474	$489 781	$1 691 850	$3 592 105	$3 126 060

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

4. Works of art

During the year, works of art worth a total of $324 783 ($268 991 in 1987), assessed by experts and approved by the Canadian Secretary of State's Conservation Review Board, were donated to the Musée. The value of the works of art added to the Musée's permanent collection during the year are as follows:

	1988	1987
Acquisition by donation	$324 783	$268 991
Acquisition by the Musée	199 891	371 339
	$524 674	$640 330

5. Acquisition of a building

On November 7, 1985, the gouvernement du Québec authorized the Musée to purchase the building it currently occupies for $1. When the financial statements were being prepared, the contract for the purchase of this building had not yet been signed, as the plans were in the process of being approved by the ministère de l'Énergie et des Ressources du Québec.

6. Equity carried over to next fiscal year

At its meeting on March 30, 1988, the board of directors decided to carry over part of the $303 728 in equity at March 31, 1988 with a view to following up on the implementation of the computerization project and purchasing works of art.

AUDITOR'S REPORT

I have examined the balance sheet of the Musée d'art contemporain de Montréal as at March 31, 1988 and the statement of revenue, expenditure and equity for the fiscal year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Musée as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies mentioned in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 9, 1988

MUSÉE DE LA CIVILISATION
R.S.Q., c. M-44

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Salaries, wages and other remuneration	$2 790 417	$1 165 437
Transport and communications	581 655	203 747
Professional, administrative and other services	2 290 027	962 271
Maintenance and repairs	302 206	56 088
Municipal and school taxes	728 669	22 173
Rent	260 456	186 560
Furnishings and supplies	1 249 035	113 931
Acquisitions of material and equipment	77 607	861 408
Acquisitions of collection pieces	272 117	13 517
Other	9 736	7 798
	8 561 925	3 592 930
REVENUE		
Federal subsidies for specific projects	42 200	139 700
Interest and other	136 886	110 016
	179 086	249 716
SURPLUS EXPENDITURE OVER REVENUE	8 382 839	3 343 214
Gouvernement du Québec subsidy	8 849 400	1 764 900
SURPLUS REVENUE AND SUBSIDY OVER EXPENDITURE	466 561	(1 578 314)
OPENING SURPLUS	170 270	1 748 584
CLOSING SURPLUS	$636 831	$170 270

MUSÉE DE LA CIVILISATION

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		**(Note 3)**
CURRENT ASSETS		
Cash	$516 829	$359 495
Negotiable securities	1 965 090	748 013
Accounts receivable	1 946	
Subsidies receivable (Note 4)	40 000	932 200
Accrued interest	21 226	2 876
Prepaid expenses	11 040	5 094
	2 556 131	2 047 678
BUILDINGS (Note 5)	1 687 027	488 000
	$4 243 158	$2 535 678
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$3 078 327	$945 208
Deferred subsidies	40 000	932 200
	3 118 327	1 877 408
EQUITY		
Surplus	636 831	170 270
Contribution from the gouvernement du Québec (Note 6)	488 000	488 000
	1 124 831	658 270
	$4 243 158	$2 535 678

COMMITMENTS (Note 7)

SUBSEQUENT EVENT (Note 8)

On behalf of the Board of Directors,

Roger Décary
Paul Naud

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Musée de la civilisation was incorporated under the National Museums Act. Its purpose is to contribute to the cultural development of Québec, make the history and various other components of our civilization known, especially the physical and social culture of those who have occupied the territory of Québec and those who have enriched it; to preserve and develop the ethnographic and other representative collections of our civilization and to represent Québec in the international network of museological activities through acquisitions, exhibitions and other activities.

2. Accounting policies

The financial statements of the Musée de la civilisation were prepared by management according to the accrual method of accounting and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Buildings

Buildings are recorded at the cost of acquisition or attributed value if they are acquired at no cost and are not amortized. Costs related to initial development and major expansion and restoration work including material, direct labour, indirect costs and interim financing charges during the work are capitalized to buildings.

Material and equipment

The acquisition of material and equipment, not including those related to initial development, are charged to operations.

Collection pieces

Acquisitions of works of art are charged to operations.

Pension plans

Employer contributions to the Government and Public Employees Retirement Plan (RREGOP) and the Civil Service Superannuation Plan are assumed by the gouvernement du Québec and are not shown on the statement of revenue, expenditure and surplus.

3. Change to an accounting policy

Effective this year, buildings acquired at no cost are recorded at their attributed value at the time they are ceded; previously, they were charged to operations at their nominal value.

This change was given retroactive effect and in no way affected the operating results for the fiscal year ended March 31, 1987; however, it resulted in an increase in the following items on the balance sheet as at March 31, 1987:

Buildings	$488 000
Contribution from the gouvernement du Québec	$488 000

4. Subsidies receivable

	1988	1987
Federal subsidies for specific projects	$40 000	$82 200
Operating subsidy from the gouvernement du Québec for 1987-1988		850 000
	$40 000	$932 200

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Buildings

	1988	1987
Maison Chevalier located in Québec City, classified cultural property		
Property and building -- at attributed value	$488 000	$488 000
Major renovations	298 288	
	786 288	488 000
Musée de la civilisation (Note 8)		
Cost for initial development	900 739	
	$1 687 027	$488 000

6. Contribution from the gouvernement du Québec

This contribution represents the free disposition on October 22, 1986 of the Maison Chevalier for the nominal fee of $1. The attributed value of the building, $488 000, corresponds to the municipal assessment at the date of disposition.

7. Commitments

The Musée has entered into commitments to cover the cost of a number of exhibitions. At March 31, 1988, these commitments, which were not posted to operations, totalled $2 044 000.

At the same date, the Musée was committed for $287 000 for professional services contracts for the Musée's interior design.

8. Subsequent event

In April 1988, the Musée acquired the building located in Québec City known as the "Musée de la civilisation" from the Société immobilière du Québec for the sum of $40 103 685. The acquisition is financed through a long-term loan guaranteed by the gouvernement du Québec.

9. Comparative figures

Certain comparative figures from 1987 have been reclassified for consistency with the presentation adopted in 1988.

MUSÉE DE LA CIVILISATION

AUDITOR'S REPORT

I have examined the balance sheet of the Musée de la civilisation as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Musée de la civilisation as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies mentioned in Note 2 applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of recording buildings acquired at no cost mentioned in Note 3.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 23, 1988

MUSÉE DU QUÉBEC
R.S.Q., c. M-44

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE (Note 3)		
Administration	$2 581 334	$2 191 407
Conservation	2 410 995	2 645 746
Education and communications	1 145 604	1 678 517
Planning and development	163 049	12 678
Security department	811 323	823 952
	7 112 305	7 352 300
REVENUE		
Bookstore	161 509	717 676
Admission fees	109 638	548 057
Federal grants for specific projects	92 100	236 668
Interest and other	297 679	361 365
	660 926	1 863 766
SURPLUS EXPENDITURE OVER REVENUE	6 451 379	5 488 534
Subsidy from the gouvernement du Québec (Note 5)	5 784 432	5 057 800
SURPLUS EXPENDITURE OVER REVENUE AND SUBSIDIES	666 947	430 734
OPENING SURPLUS	938 680	1 369 414
CLOSING SURPLUS	$271 733	$938 680

MUSÉE DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$312 675	$1 675 446
Accounts receivable	58 151	54 021
Federal grant receivable	349 617	53 300
Prepaid expenses	124 4[illegible]	
Discount and bond issuing fees - amortized cost	24 206	30 682
	869 128	1 813 449
BUILDINGS -- AT COST	4 617 187	3 811 260
	$5 486 315	$5 624 709
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$799 253	$836 029
Payment of long-term debt falling due in the coming year (Note 6)	200 000	200 000
	999 253	1 036 029
LONG-TERM DEBT (Note 5)	4 015 329	3 650 000
	5 014 582	4 686 029
EQUITY		
Surplus	271 733	938 680
Contribution from the gouvernement du Québec (Note 7)	200 000	
	471 733	938 680
	$5 486 315	$5 624 709

COMMITMENT (Note 8)

On behalf of the Board of Directors,

Jean-Marie Roy
André Barnard

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Musée du Québec was incorporated under the National Museums Act. Its purpose is to contribute to Québec's cultural development, to make known, further and preserve Québec art from every period, from early art to contemporary art, and to ensure the presence of international art through acquisitions, exhibitions and other activities.

2. Accounting policies

The financial statements of the Musée du Québec were prepared by management according to the accrual method of accounting in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Buildings

Buildings are recorded at cost and are not depreciated. Their cost includes expenses related to expansion and major renovation projects, including material, direct labour, indirect expenses and interim financing costs during work.

Material and equipment

Acquisitions of material and equipment are charged to operations.

Works of art

Acquisitions of works of art are charged to operations.

Interest on long-term debt

Interest on the long-term debt is recorded when the expenditure is incurred.

Discount and bond issuing costs

The discount and bond issuing costs are amortized over the term of the debt.

Pension plans

Employer contributions to the Government and Public Employees Retirement Plan (RREGOP) and the Civil Service Superannuation Plan are assumed by the gouvernement du Québec and are not shown on the financial statements.

MUSÉE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Expenditure by category

	Adminis-tration	Conser-vation	Education and Communi-cations	Planning and Develop-ment	Security Dept.	Total 1988	Total 1987
Wages, salaries, and other remuneration	$561 428	$1 144 381	$476 179	$103 171	$597 616	$2 882 775	$2 640 656
Professional, administrative and other services	637 027	326 980	155 311	44 236	207 692	1 371 246	1 478 267
Transportation and communication services	94 853	389 364	401 219	9 629	466	895 531	1 329 120
Furnishings and supplies	188 534	79 973	108 530	6 013	619	383 669	447 423
Rental of material and equipment	177 230	9 290	3 895		4 093	194 508	162 703
Purchase of material and equipment	319 663	301	404			320 368	72 836
Works of art							
Permanent collection		238 472				238 472	785 078
Loans collection		221 354				221 354	142 097
Maintenance and repairs	217 123	880	66		837	218 906	294 120
Interest on the long-term debt and amortization of bond discount and issue expenses	385 476					385 476	
	$2 581 334	$2 410 995	$1 145 604	$163 049	$811 323	$7 112 305	$7 352 300

4. Works of art

The cumulative cost of works of art acquired and charged to operations breaks down as follows:

	1988	1987
Permanent collection	$1 241 550	$1 003 078
Loans collection	819 108	597 754
	$2 060 658	$1 600 832

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Gouvernement du Québec subsidies

	1988	1987
Current operations		
Operating expenses	$5 057 800	$5 057 800
Costs of new salary agreements	339 417	
Special projects	8 215	
	5 405 432	5 057 800
Interest on bonds -- Long-term debt used to finance the cost of major building repairs	379 000	
	$5 784 432	$5 057 800

6. Long-term debt

	1988	1987
Bonds, 9.25% and 10% (effective yield of 9.55% to 10.19%), guaranteed by the gouvernement du Québec, maturing until December 1991	$3 650 000	$3 850 000
Bank loan at the prime rate, payable on demand*	565 329	
	4 215 329	3 850 000
Payment falling due in the coming year	200 000	200 000
	$4 015 329	$3 650 000

* This bank loan is considered a long-term debt given that it will be substituted by a long-term borrowing.

7. Contribution by the gouvernement du Québec

This $200 000 contribution represents the Government's contribution to the repayment of principal on the long-term debt used to finance the cost of major building repairs.

8. Commitment

Under professional services contracts relating to the Musée's expansion, the Société immobilière du Québec is committed on the Musée's behalf for a total of $2 231 291 at March 31, 1988. The total cost of the expansion is estimated at $21.6 million and will be financed by long-term borrowings subsidized by the Government.

9. Comparative figures

Certain comparative figures from the statement of revenue, expenditure and surplus for 1987 have been reclassified for consistency with the presentation adopted in 1988.

MUSÉE DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Musée du Québec as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Musée du Québec as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies mentioned in Note 2 applied on a basis consistent with that of the preceding year.

On behalf of the Auditor General of Québec,

Guy Breton,, C.A.
Assistant Auditor General

Québec, May 14, 1988

OFFICE DE LA SÉCURITÉ DU REVENU DES CHASSEURS ET PIÉGEURS CRIS
R.S.Q., c. S-3.2

OPERATIONS AND SURPLUS
for the fiscal year ended June 30, 1988

	1988	1987
EXPENDITURES		
Income security payments	$11 732 970	$11 652 801
Administrative expenses		
Wages, salaries and fringe benefits	556 324	494 681
Travel	45 246	33 495
Rent	45 009	43 859
Professional fees	667	11 469
Supplies and equipment	16 988	34 920
Telephone and communications	3 117	2 307
Miscellaneous	4 032	8 500
	671 383	629 231
Less:		
Interest on bank deposits	4 664	4 178
	666 719	625 053
	12 399 689	12 277 854
CONTRIBUTION FROM THE GOUVERNEMENT DU QUÉBEC	12 389 556	12 210 562
SURPLUS EXPENDITURE OVER CONTRIBUTION FROM THE GOUVERNEMENT DU QUÉBEC	10 133	67 292
OPENING SURPLUS	48 785	116 077
CLOSING SURPLUS	$38 652	$48 785

**OFFICE DE LA SÉCURITÉ DU REVENU
DES CHASSEURS ET PIÉGEURS CRIS**

BALANCE SHEET
as at June 30, 1988

	1988	1987
ASSETS		
Cash	$30 058	$70 987
Term deposits	45 000	
Benefits overpaid	77 624	94 095
Accounts receivable	3 233	3 891
	$155 915	$168 973
LIABILITIES		
Accounts payable	$39 639	$26 093
Owed the gouvernement du Québec	77 624	94 095
	117 263	120 188
SURPLUS	38 652	48 785
	$155 915	$168 973

On behalf of the Cree Hunters
and Trappers Income Security Board,

Johnny Jolly
Roger Grenier

**OFFICE DE LA SÉCURITÉ DU REVENU
DES CHASSEURS ET PIÉGEURS CRIS**

NOTES TO FINANCIAL STATEMENTS
at June 30, 1988

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1. Constitution, purpose and financing

The Cree Hunters and Trappers Income Security Board, founded under the Act respecting income security for Cree hunters and trappers who are beneficiaries under the James Bay and Northern Québec Agreement (R.S.Q., c.S-3.2), is charged with administering the program established under this Act to provide Cree hunters and trappers with guaranteed income; the program also provides incentives for the pursuit of traditional harvesting activities.

Benefits are paid to groups of beneficiaries whose eligibility is subject to, among other conditions, the time spent in fishing, hunting, trapping and ancillary activities.

Funding for implementing the Act comes from appropriations voted annually by Parliament for that purpose.

2. Accounting policies

Benefits and administrative expenses

Benefits paid are recorded on the cash basis, whereas administrative expenses are recorded using the accrual method.

The acquisition of capital assets is charged to administrative expenses.

Administrative expenses assumed by the gouvernement du Québec.

The cost of support services such as data processing and telephone services is assumed by the various government departments and agencies and is not shown on the statement of operations and surplus.

AUDITOR'S REPORT

I have examined the balance sheet of the Cree Hunters and Trappers Income Security Board as at June 30, 1988 and the statement of operations and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the financial position of the Board as at June 30, 1988, as well as the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, September 29, 1988

OFFICE DES AUTOROUTES DU QUÉBEC
R.S.Q., c. A-34

COST AND FINANCING OF DEBT SERVICE
for the fiscal year ended March 31, 1988

	1988	1987
COST OF DEBT SERVICE		
Repayments on bonded debt	$1 250 000	$1 250 000
Interest on bonds	1 607 656	1 674 294
Frais de gestion	2 605	2 599
	$2 860 261	$2 926 893
FINANCING OF DEBT SERVICE		
Repayment of bonded debt from the sinking fund (Note 5)	$1 250 000	$1 250 000
Assumed by the gouvernement du Québec:		
Interest on note	1 607 656	1 674 294
Management fees	2 605	2 599
	$2 860 261	$2 926 893

OFFICE DES AUTOROUTES DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Gouvernement du Québec note (Note 3)	$1 278 909	$5 058 293
Accrued interest	330 151	339 683
	$1 609 060	$5 397 976
LIABILITIES		
Accrued interest	$330 151	$339 683
Bonded debt (Note 4)		
Series "H" bonds, 5 3/4%, maturing July 15, 1989	27 500 000	28 750 000
Less: Sinking fund (Note 5)	26 221 091	23 691 707
	1 278 909	5 058 293
	$1 609 060	$5 397 976

On behalf of the Office,

Pierre Michaud
Gilles Sanche

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

Founded under the Autoroutes Act, the Office des autoroutes du Québec has as its main purpose the repayment of its bonded debt.

2. Accounting policies

The Office's financial statements were prepared by management according to the accrual method and in accordance with the accounting policies described below:

Bonded debt

The bonded debt is recorded at par value.

Sinking fund bonds

Sinking fund bonds are shown at par value. Those in foreign currencies are translated into Canadian dollars at the rate in effect when the balance sheet was being prepared.

3. Gouvernement du Québec note

The Minister of Finance issued a gouvernement du Québec note to the Office in the amount of its bonded debt and interest accrued to April 1, 1982 less its accumulated sinking fund on that date.

The interest rate and terms of the note should allow the Office to fully discharge its bonded debt.

	1988	1987
Change in the note account during the year		
Opening balance	$5 058 293	$9 245 196
Less:		
Net revenue of the sinking fund (Note 5)	3 779 384	4 186 903
Closing balance	$1 278 909	$5 058 293

4. Bonded debt

Payment of principal and interest is guaranteed by the gouvernement du Québec.
The schedule of payments is as follows:

July 15, 1988	$1 250 000
July 15, 1989	26 250 000
	$27 500 000

5. Sinking fund

The assets of the sinking funds for the Office des autoroutes du Québec and the gouvernement du Québec are managed in a common fund by the Minister of Finance. At year-end, the net revenue generated by the assets of this common fund is allotted to each fund in proportion to their respective assets.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. **Sinking fund** (cont'd)

	1988	1987
Change in sinking fund balance during the year		
Opening fund balance	$23 691 707	$20 754 804
Net revenue for the year:		
Interest on cash flow and bonds	2 213 642	2 054 253
Contribution from the gouvernement du Québec	1 250 000	1 250 000
Discount and premiums on purchase and sale of bonds	332 013	891 266
	3 795 655	4 195 519
Unrealized gain (loss) on exchange at March 31	(16 271)	(8 616)
	3 779 384 *	4 186 903 *
Repayment of the bonded debt	1 250 000	1 250 000
Closing fund balance	$26 221 091	$23 691 707

* This net revenue is applied against the note receivable from the gouvernement du Québec.

AUDITOR'S REPORT

I have examined the balance sheet of the Office des autoroutes du Québec as at March 31, 1988 and the statement of cost and financing of debt service for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Office as at March 31, 1988 as well as the cost and financing of its operations for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, August 24, 1988

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FARM FINANCING
R.S.Q., c. C-75

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Subsidies (Note 6)	$69 189 501	$60 635 517
Loss on guarantees for loans from financial institutions	236 054	198 818
Net loss on sale of assets acquired following loan defaults (Note 7)	157 257	193 534
Interest on borrowings	11 090 674	12 088 894
Interest on borrower deposits	8 117	11 645
Administrative expenses (Note 8)	14 754 583	13 065 570
	95 436 186	86 193 978
REVENUE		
Interest on loans	6 910 501	7 580 273
Interest on bank deposits	202 636	286 141
Recovery of expenditure		
Sale and lease of fixed assets - land redevelopment program	333 143	300 806
Other	548 669	274 139
	7 994 949	8 441 359
SURPLUS EXPENDITURE OVER REVENUE ASSUMED BY THE GOUVERNEMENT DU QUÉBEC (Note 9)	$87 441 237	$77 752 619

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FARM FINANCING

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$2 743 885	$2 599 867
Accounts receivable	770 203	468 174
Owed by the Forest and Farm Loan Insurance Fund	267 840	292 728
Interest, accrued and due	2 490 980	2 695 822
Loans (Notes 3 and 4)	117 436 550	128 653 734
Assets acquired following default on loans	2 987 452	4 571 900
	$126 696 910	$139 282 225
LIABILITIES		
Accounts payable	$1 286	$3 540
Accrued interest	262 820	124 814
Borrower deposits	197 163	240 098
Revenue received in advance	72 126	79 002
Owed lending institutions	2 138 768	3 459 779
Long-term loans (Note 4)	118 600 000	129 709 283
Owed the gouvernement du Québec (Note 5)	5 424 747	5 665 709
	$126 696 910	$139 282 225

CONTINGENT LIABILITIES (Note 10)

ACT RESPECTING FARM FINANCING (Note 11)

On behalf of the Office,

J. Claude Simoneau
Gilles Lebel

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FARM FINANCING

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Office du crédit agricole du Québec, founded under the Farm Credit Act, is responsible for administering various acts concerning farm and forestry financing programs.

The farm financing program aims to promote the profitability of farming operations by making available adequate financing.

The financial statements of the Office presented here relate exclusively to transactions involving farm financing under the administration of the Farm Credit Act, the Act to promote long-term farm credit by private institutions, the Act to promote the establishment of young farmers, the Act to promote farm improvement, the Act to promote credit to farm producers, the Act to promote special credit to agricultural producers during critical periods, the Farm Loans Act, the Act to promote the development of farming operations, the Acquaculture Credit Act as well as the agricultural land redevelopment program and the arable land bank program.

2. Accounting policies

These financial statements were prepared by management according to the accounting policies summarized below. They include amounts based on best estimates and judgment.

Assets acquired following loan defaults

Property acquired following loan defaults is recorded at the principal balance plus interest and incidental expenses incurred by lenders. Gain or loss on the disposal of these assets is entered when realized.

Losses on the sale of assets acquired following default on loans before August 1, 1978 are assumed by the Consolidated Revenue Fund; any gain is also turned over to the Consolidated Revenue Fund. Losses on loans after August 1, 1978 are assumed by the Forest and Farm Loan Insurance Fund and profits are turned over to it.

Subsidies

Subsidy payments are charged to expenditure for the year during which they become due. They correspond to amounts duly authorized and approved as such by the Government.

Losses on loan guarantees extended by financial institutions

Loss on guarantees for loans by financial institutions prior to August 1, 1978, is recorded under expenditure upon payment in settlement of the guarantees.

Acquisitions of material and equipment

The cost of material and equipment is charged to expenditure for the year of acquisition, regardless of when they enter into use.

Other transactions

Other transactions related to farm financing are recorded on the accrual basis.

Administrative expenses

The cost of support services and fringe benefits to Office employees, paid out of the spending estimates of the various departments and agencies concerned, are not shown on the statement of revenue and expenditure.

3. Loans

This item includes principal payments due at March 31, 1988 in the amount of $566 531 ($687 625 at March 31, 1987).

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FARM FINANCING

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Long-term borrowings

At March 31, the balance owed on the principal of Office borrowings was distributed as follows:

	1988	1987
Total borrowings	$141 000 000	$154 400 000
Portion allocated to farm financing	22 400 000	24 690 717
	$118 600 000	$129 709 283

These borrowings, in the form of direct advances, bear interest at the prime rate and may be converted into promissory notes or banker's acceptances, at the discretion of the Office. They are repayable in quarterly instalments of $1 600 000, with the balance due in 1996.

The Office has agreed to not pledge, mortgage, or otherwise dispose of all or part of the farm or forestry loans made up to the amount of their outstanding balances.

5. Owed the gouvernement du Québec

	1988	1987
Interest-free advance of working capital	$500 000	$500 000
Accumulated surplus of revenue over expenditure at March 31, 1985	1 632 453	1 632 453
Interest on borrowings - previous years' balance	2 586 483	3 095 340
Interest on bank deposits - net	194 519	274 496
Recovery on expenditure to be repaid	665 588	355 793
Balance receivable on loss on sale of assets acquired following loan defaults	(154 296)	(192 373)
	$5 424 747	$5 665 709

6. Subsidies

	1988	1987
Act to promote long-term farm credit by private institutions (R.S.Q., chapter C-75.1)	$35 589 463	$43 681 605
Act to promote the establishment of young farmers (R.S.Q., chapter E-12.1)	5 601 527	5 178 904
Act to promote farm improvement (R.S.Q., chapter A-18)	4 435 048	4 329 158
Act to promote special credit to agricultural producers during critical periods (R.S.Q., chapter C-79)	472	3 699
Farm Loans Act (R.S.Q., chapter P-20)	2 566 161	2 827 163
Act to promote the development of farming operations (R.S.Q., chapter M-36)	20 992 608	4 606 851
Agricultural land redevelopment program (orders-in-council 3813-76 and 3814-76)	4 222	8 137
	$69 189 501	$60 635 517

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FARM FINANCING

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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7. Net loss on the sale of assets acquired following loan defaults

	1988	1987
Total loss	$624 039	$1 154 217
Loss assumed by the Forest and Farm Insurance Fund	466 782	960 683
Net loss	$157 257	$193 534

8. Administrative expenses

	1988	1987
Wages, salaries, allowances and other remuneration	$12 035 791	$10 990 039
Transportation and communications	572 312	511 614
Professional, administrative and other services	417 813	81 812
Maintenance and repairs	38 459	33 263
Rent	1 256 623	1 052 527
Furnishings and supplies	251 733	200 478
Material and equipment	181 852	195 837
	$14 754 583	$13 065 570

9. Surplus expenditure over revenue assumed by the gouvernement du Québec

	1988	1987
Subsidies	$69 189 501	$60 635 517
Interest on borrowings less interest earned on loans	4 180 173	4 508 621
Loss on guarantees of loans made by financial institutions	236 054	198 818
Loss on the sale of assets acquired following loan defaults	157 257	193 534
Administration	14 754 583	13 065 570
	88 517 568	78 602 060
Less:		
Net interest on bank deposits	194 519	274 496
Recovery on expenditure	881 812	574 945
	1 076 331	849 441
	$87 441 237	$77 752 619

10. Contingent liabilities

The Office has been summoned as defendant in legal proceedings totalling $8 137 000. The Office is contesting these proceedings and it is impossible, at this time, to predict the outcome. Accordingly, no allowance has been recorded in the financial statements.

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11. Act respecting farm financing

The Act respecting farm financing (1987, chapiter 86) was passed on December 18, 1987. This Act, which was not yet in force when the financial statements were being prepared, provides for the recasting of the current legislative framework Québec's farm financing regime and is designed to simplify the regime and provide it with greater rationalization, both with regard to its operation and its context.

AUDITOR'S REPORT

I have examined the balance sheet of the Office du crédit agricole du Québec -- farm financing, as at March 31, 1988 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Office du crédit agricole du Québec -- farm financing, as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 4, 1988

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FORESTRY FINANCING
R.S.Q., c. C-78

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
EXPENDITURE		
Subsidies (Note 6)	$1 766 980	$1 322 177
Net loss on the sale of assets acquired following loan defaults (Note 7)	288	2 236
Interest on borrowings	2 096 760	2 350 701
Administration (Note 8)	1 249 312	1 106 729
	5 113 340	4 781 843
REVENUE		
Interest on loans	1 186 155	1 661 023
Interest on bank deposits	23 756	54 752
Recovery on expenditure	1 400	3 117
	1 211 311	1 718 892
SURPLUS EXPENDITURE OVER REVENUE ASSUMED BY THE GOUVERNEMENT DU QUÉBEC (Note 9)	$3 902 029	$3 062 951

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FORESTRY FINANCING

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$353 530	$457 208
Accounts receivable	8 952	8 294
Owed by the Forest and Farm Loan Insurance Fund		59 513
Interest, accrued and due	322 533	369 204
Loans (Notes 3 and 4)	21 979 623	24 232 099
Assets acquired following loan defaults	108 301	144 916
	$22 772 939	$25 271 234
LIABILITIES		
Accrued interest	$49 606	$23 759
Borrower deposits	617	694
Long-term borrowings (Note 4)	22 400 000	24 690 717
Owed the gouvernement du Québec (Note 5)	322 716	556 064
	$22 772 939	$25 271 234

On behalf of the Office,

J. Claude Simoneau
Gilles Lebel

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FORESTRY FINANCING

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

---

1. Constitution and purpose

Incorporated under the Farm Credit Act, the Office du crédit agricole du Québec is charged with administering various acts related to farm and forestry financing programs.

The forestry financing program aims at making credit available to promote the development and consolidation of private forest areas.

The financial statements of the Office presented here are solely concerned with operations related to administering the Forestry Credit Act and the Act to promote forest credit by private institutions.

2. Accounting policies

These financial statements were prepared by management according to the accounting policies summarized below. They include amounts based on best estimates and judgment.

Assets acquired following loan defaults

Property acquired as a result of loan defaults is recorded at the principal balance plus interest and incidental expenses incurred by lenders. Gain or loss on the disposal of these assets is entered when realized.

Losses on the sale of assets acquired following default on loans before August 1, 1978 are assumed by the Consolidated Revenue Fund; any gain is also turned over to the Consolidated Revenue Fund. Losses on loans after August 1, 1978 are assumed by the Forest and Farm Loan Insurance Fund and profits are turned over to it.

Subsidies

Subsidies are posted to expenditure for the year they become payable.

Acquisitions of material and equipment

Acquisition of material and equipment is posted to expenditure for the year of acquisition, regardless of when they enter into use.

Other transactions

Other transactions related to forestry financing are recorded on the accrual basis.

Administrative expenses

The cost of support services and fringe benefits to Office employees are paid out of the spending estimates of the various departments and agencies concerned and are not shown on the statement of revenue and expenditure.

3. Loans

This item includes principal payments due at March 31, 1988 in the amount of $110 873 ($104 186 at March 31, 1987).

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4. Long-term borrowings

At March 31, the balance owed on the principal of Office borrowings was distributed as follows:

	1988	1987
Total borrowings	$141 000 000	$154 400 000
Portion allocated to forestry financing	118 600 000	129 709 283
	$22 400 000	$24 690 717

These borrowings, in the form of direct advances, bear interest at the prime rate and may be converted into promissory notes or banker's acceptances, at the discretion of the Office. They are repayable in quarterly instalments of $1 600 000, with the balance due in 1996.

The Office has agreed to not pledge, mortgage, or otherwise dispose of all or part of the farm or forestry loans made, up to the amount of their outstanding balances.

5. Owed the gouvernement du Québec

	1988	1987
Interest-free advance of working capital	$50 000	$50 000
Interest on borrowings - previous years' balance	244 518	446 319
Interest on bank deposits	23 756	54 752
Recovery on expenditure	4 442	4 993
	$322 716	$556 064

6. Subsidies

This item represents payments equivalent to interest at 5% on sums due from borrowers to lending institutions up to the maximums provided for in the regulations.

	1988	1987
Forestry Credit Act (R.S.Q., chapter C-78)	$288 517	$444 945
Act to promote forest credit by private institutions (R.S.Q., chapter C-78.1)	1 478 463	877 232
	$1 766 980	$1 322 177

7. Net loss on the sale of assets acquired following loan defaults

	1988	1987
Total loss	$51 195	$116 377
Loss assumed by the Forest and Farm Loan Insurance Fund	50 907	114 141
Net loss	$288	$2 236

8. Administrative expenses

	1988	1987
Wages, salaries, allowances and other remuneration	$1 067 563	$957 604
Transportation and communications	70 242	89 559
Administrative, professional and other services	8 398	4 870
Maintenance and repairs	10 501	4 134
Rent	58 778	703
Furnishings and supplies	24 907	26 699
Material and equipment	8 923	23 160
	$1 249 312	$1 106 729

9. Surplus expenditure over revenue assumed by the gouvernement du Québec

	1988	1987
Subsidies	$1 766 980	$1 322 177
Interest on borrowings less interest on loans	910 605	689 678
Loss on the sale of assets acquired following loan defaults	288	2 236
Administration	1 249 312	1 106 729
	3 927 185	3 120 820
Less:		
Interest on bank deposits	23 756	54 752
Recovery on expenditure	1 400	3 117
	25 156	57 869
	$3 902 029	$3 062 951

OFFICE DU CRÉDIT AGRICOLE DU QUÉBEC
FORESTRY FINANCING

AUDITOR'S REPORT

I have examined the balance sheet of the Office du crédit agricole du Québec -- forestry financing, as at March 31, 1988 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Office du crédit agricole du Québec -- forestry financing, as at March 31, 1988 and the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 4, 1988

RADIO-QUÉBEC
R.S.Q., c. S-11.1

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988 (12 months)	1987 (7 months) (Note 3)
EXPENDITURE (Note 9)		
Cost of shows broadcast		
Shows produced and broadcast (Note 10)	$33 504 844	$17 825 940
Acquisitions and co-productions	12 593 079	5 891 522
	46 097 923	23 717 462
Distribution cost		
Broadcasting and network	9 790 029	6 497 173
Programming	6 726 466	2 467 451
	16 516 495	8 964 624
Cost of shows broadcast and distribution	62 614 418	32 682 086
Administration	7 047 313	4 334 495
Financial charges (Note 11)	2 266 499	1 493 621
	71 928 230	38 510 202
REVENUE (Note 12)	10 958 302	5 560 230
SURPLUS EXPENDITURE OVER REVENUE BEFORE THE EXTRAORDINARY ITEM	60 969 928	32 949 972
Extraordinary item (Note 13)	798 955	1 293 308
SURPLUS EXPENDITURE OVER REVENUE	61 768 883	34 243 280
Gouvernement du Québec subsidy	61 579 500	34 579 741
SURPLUS EXPENDITURE OVER REVENUE AND SUBSIDY FOR THE YEAR	$189 383	$(336 461)

EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
	(12 months)	(7 months) (Note 3)
OPENING BALANCE		
Balance carried forward	$9 502 687	$6 727 681
Adjustments posted to previous fiscal year (Note 3)	1 670 449	
Adjusted balance	7 832 238	6 727 681
Surplus expenditure over revenue and subsidy for the year	(189 383)	336 461
Surplus net assets acquired from the gouvernement du Québec's Revolving Fund for Instructional Aids over the price of acquisition (Note 14)		768 096
CLOSING BALANCE	$7 642 855	$7 832 238

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
	(12 months)	(7 months) (Note 3)
OPERATING ACTIVITIES		
Surplus expenditure over revenue and subsidy for the year	$(189 383)	$336 461
Items not affecting liquid assets		
Depreciation on fixed assets	3 087 274	1 667 279
Deferred revenue	(21 937)	(15 884)
Gain on the disposal of fixed assets		(198 444)
Funds generated from transactions	2 875 954	1 789 412
Change in current assets and liabilities apart from liquid assets	1 922 204	(14 324 612)
Funds generated (absorbed) by operating activities	4 798 158	(12 535 200)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(760 978)	(560 716)
Acquisition of assets held under capital lease contracts	(1 875 443)	(880 985)
Proceeds from disposal of fixed assets		287 087
Funds absorbed by investment activities	(2 636 421)	(1 154 614)
FINANCING ACTIVITIES		
Commitments under capital lease contracts	958 328	3 086 249
Cash inflow from guaranteed accounts receivable	208 662	99 231
Repayment of the long-term debt	(1 720 315)	(696 640)
Advance from the gouvernement du Québec		1 800 000
Contribution from the gouvernement du Québec		768 096
Funds (absorbed) generated by financing activities	(553 325)	5 056 936
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE YEAR	1 608 412	(8 632 878)
OPENING BANK DEBT	17 676 841	9 043 963
CLOSING BANK DEBT	$16 068 429	$17 676 841

The bank debt includes outstanding cheques less cash and borrowings from financial institutions.

RADIO-QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
		(Note 3)
ASSETS		
CURRENT ASSETS		
Accounts receivable	$3 259 688	$2 279 236
Operating subsidy receivable from the gouvernement du Québec	1 061 900	
Shows produced and under production	6 540 826	8 142 414
Broadcast and distribution rights and participation in co-productions	8 102 766	7 101 276
Technical and production supplies	517 338	539 011
Prepaid expenses	437 693	566 391
Payments on mortgage loan and balance on selling price due within one year (Note 4)	261 055	191 916
	20 181 266	18 820 244
SECURED RECEIVABLES (Note 4)	2 808 203	3 086 005
FIXED ASSETS (Note 5)	25 282 746	25 733 599
	$48 272 215	$47 639 848
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash	$591 819	$211 779
Borrowings from financial institutions	15 476 610	17 465 062
Accounts payable and accrued expenses	5 816 724	4 249 461
Broadcast and distribution rights and participation in co-productions	3 480 498	2 083 674
Payments on long-term debt due within one year (Note 6)	1 854 854	1 695 598
Deferred revenue (Note 8)	256 956	21 938
	27 477 461	25 727 512
LONG-TERM DEBT (Note 6)	11 017 604	11 938 847
ADVANCE FROM THE GOUVERNEMENT DU QUÉBEC (Note 7)	1 800 000	1 800 000
DEFERRED REVENUE (Note 8)	334 295	341 251
	40 629 360	39 807 610
EQUITY	7 642 855	7 832 238
	$48 272 215	$47 639 848

FUND FOR THE PRODUCTION OF EDUCATIONAL AUDIOVISUAL AIDS (Note 14)

COMMITMENTS (Note 16)

SUBSEQUENT EVENT (Note 17)

On behalf of the Board of Directors,

Guy Lord
Jacques Girard

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution, purpose and operations

A corporation within the meaning of the Civil Code, Radio-Québec was incorporated under the Act respecting the Société de radio-télévision du Québec to establish and operate an educational radio and television broadcasting service within Québec as well as produce audiovisual and broadcast material.

Revenue from the Fund for the production of educational audiovisual aids is reinvested the productions of the same type.

2. Accounting policies

Radio-Québec financial statements were prepared by management according to the accrual method and in accordance with the accounting policies described below. They include amounts which are based on best estimates and judgment.

These financial statements group Société accounts with those of the Fund for the production of educational audiovisual aids.

Production and technical supplies

Inventories of technical and production supplies are recorded at the lower of their cost price or net realization value.

Shows produced and under production

Shows already produced and under production are entered at cost, which includes the direct cost of supplies and services in addition to a share of labour costs and general expenses for each show. The total cost for a given show is charged to operations when broadcast or declared unusable.

By-products

Production costs related to by-products (records, printed material, figurines, etc.) are charged to operations for the fiscal year during which they are incurred. Revenue from the sale of these products is recorded on a cash basis.

Investment in the cost of shows produced by the Fund for the production of educational audiovisual material.

Investments in the cost of such shows are charged to deferred revenue as soon as they are known then transferred to revenue for the date of broadcasting.

Broadcast and distribution rights and participation in co-productions

Broadcast and distribution rights for audiovisual material are generally acquired for five years; they are capitalized then charged to operations when used according to the following basis, except where otherwise stipulated by contract:

70% for the first presentation;
30% for the second presentation.

Rights on films deemed unusable are written off the books when such a decision is made.

Radio-Québec's investment in co-productions and their attendant rights are capitalized then charged to operations at first showing.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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2. Accounting policies (cont'd)

Fixed assets

Fixed assets are recorded at cost and depreciated according to the straight-line method based on their estimated service life as follows:

Antenna network	20 years
Improvements to antenna network	10 years
Broadcast centre	5 years
Technical equipment	10 years
Furniture and fixtures	10 years
Computer equipment	5 years
Rolling stock	5 years
Leasehold improvements	Length of lease, maximum 5 years

The antenna network includes buildings, materials, engineering services, infrastructures, direct labour as well as interest on interim financing during construction and attendant general charges.

Employee vacations

Employee vacations are recorded when paid.

Pension plans

Employer contributions to the Government and Public Employees Retirement Plan (RREGOP) and the Civil Service Superannuation Plan are assumed by the gouvernement du Québec and are not shown on the financial statements.

3. Adjustments posted to previous fiscal year

Corrections were made to the cost of shows produced and under production at March 31, 1987 and the liability with respect to accumulated paid sick leave at March 31, 1987 was posted.

These two adjustments as at March 31, 1987 have resulted in an increase (decrease) in the following items from the financial statements for the 7-month fiscal period ended March 31, 1987:

Balance Sheet

Shows produced and under production	$(1 439 252)
Accounts receivable and incurred expenses -- sick leave	231 197
Equity	(1 670 449)

Revenue and Expenditure

Surplus revenue and subsidy over expenditure for the year	(1 670 449)

The comparative figures from 1987 have been adjusted to give effect to the above adjustments.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Secured receivables

	1988	1987
Mortgage loan, 12 ¼%, repayable by monthly instalments of $49 685 to 1991 and $38 217 to 1997	$3 009 463	$3 207 106
Balance of selling price	59 795	70 815
	3 069 258	3 277 921
Instalments due within a year	261 055	191 916
	$2 808 203	$3 086 005

5. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Antenna network including improvements	$22 168 176	$6 000 974	$16 167 202	$16 999 986
Broadcast centre	366 923	226 219	140 704	214 039
Technical equipment	5 770 231	5 558 210	212 021	326 130
Furniture and fixtures	1 135 289	1 095 179	40 110	73 933
Computer equipment	3 757	3 070	687	1 438
Rolling stock	91 898	68 300	23 598	18 338
Leasehold improvements	1 912 450	1 074 165	838 285	815 374
	31 448 724	14 026 117	17 422 607	18 449 238
Assets held under capital lease contracts:				
Technical equipment	10 650 620	4 621 182	6 029 438	6 300 128
Furniture and fixtures	907 045	550 137	356 908	426 287
Computer equipment	674 533	290 066	384 467	331 606
	12 232 198	5 461 385	6 770 813	7 058 021
Equipment being financed	1 151 681	62 355	1 089 326	226 340
	13 383 879	5 523 740	7 860 139	7 284 361
	$44 832 603	$19 549 857	$25 282 746	$25 733 599

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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6. Long-term debt

	1988	1987
Series "A" bonds, 17.5%, maturing December 23, 1996	$3 125 000	$3 675 000
Bonds under capital lease contracts, 10.0% to 18.9%, maturing to 1997	9 747 458	9 959 445
	12 872 458	13 634 445
Instalments due within one year	1 854 854	1 695 598
	$11 017 604	$11 938 847

Payment in principal on series "A" bonds for the next five fiscal years is as follows:

1989	$350 000
1990	200 000
1991	225 000
1992	300 000
1993	425 000

Minimum instalments due on commitments under capital lease contracts break down as follows:

1989	$2 418 018
1990	2 442 785
1991	2 666 271
1992	2 129 228
1993	1 282 514
1994 to 1997	1 218 304
Total minimum instalments payable	12 157 120
Total interest included in minimum instalments payable	2 409 662
	$9 747 458

7. Advance from the gouvernement du Québec

This $1 800 000 interest-free advance was awarded, with no terms of repayment, to Radio-Québec for the creation of the Fund for the production of educational audiovisual aids.

8. Deferred revenue

Deferred rent

Radio-Québec collected rent in the amount of $445 000 covering a period of 20 years beginning December 1, 1982 for the use of leased assets. Annual rental revenue is determined according to a formula that allows for a constant rate of return over the length of the lease.

Investments deferred to the cost of shows

Investments deferred to the cost of shows produced by the Fund for the production of educational audiovisual aids at March 31, 1988 totalled $250 000.

9. Expenditure by category

	1988 (12 months)	1987 (7 months)
Wages, salaries and fringe benefits	$34 554 162	$18 105 618
Transportation and communications	3 700 283	1 926 630
Professional, administrative and other services	10 085 715	5 673 088
Rent	6 375 571	3 562 023
Materials and supplies	3 452 570	2 151 950
Broadcast and distribution rights	6 949 825	3 017 493
Depreciation on fixed assets	3 087 274	1 667 279
Financial charges	2 266 499	1 493 621
Bad debts	41 368	15 631
	70 513 267	37 613 333
Shows produced and under production and participation in co-productions - Change for the year	1 414 963	896 869
	$71 928 230	$38 510 202

10. Cost of shows produced and broadcast

	1988 (12 months)	1987 (7 months)
Shows produced and under production at the beginning of the year	$8 142 414	$7 974 807
Cost of production for the year		
National productions	24 358 912	12 908 616
Regional productions	1 237 482	972 678
Depreciation on technical equipment	1 012 569	405 195
General expenses	3 075 325	2 300 622
Fund for the production of educational audiovisual aids	2 218 968	1 406 436
	31 903 256	17 993 547
	40 045 670	25 968 354
Less: Shows produced and under production at year-end	6 540 826	8 142 414
Cost of shows produced and broadcast	$33 504 844	$17 825 940

11. Financial charges

	1988 (12 months)	1987 (7 months)
Interest on borrowings from financial institutions	$602 971	$678 746
Bond interest	617 090	389 267
Interest on commitments under capital lease contracts	1 046 438	425 608
	$2 266 499	$1 493 621

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

12. Revenue

	1988	1987
	(12 months)	(7 months)
Sales, services and investments	$10 490 607	$5 193 736
Interest on mortgage loan and bank deposits	467 695	366 494
	$10 958 302	$5 560 230

13. Extraordinary item

This item includes costs related to the closing down of regional offices and certain costs for restructuring operations:

	1988	1987
	(12 mois)	(7 mois)
Allowance for opening Montréal office	588 024 $	796 339 $
Allowance for opening regional offices	78 808	95 701
Lease cancellations	119 772	312 493
Other	12 351	88 775
	798 955 $	1 293 308 $

14. Fund for the production of educational audiovisual aids

Fund transactions are grouped with those of Radio-Québec for the purpose of recording in the financial statements.

The financial statements of the Fonds for the 5½-month fiscal period ended March 31, 1987 were adjusted to take into account the variable costs assumed by Radio-Québec for shows produced and broadcast. This adjustment resulted in an increase of $113 548 in surplus revenue over expenditure, the amount owed by Radio-Québec and the Fonds' balance.

Administrative expenses for the Fonds are assumed by Radio-Québec.

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14. Fund for the production of educational audiovisual aids (cont'd)

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
	(12 months)	(5 ½ months) (adjusted)
Revenue		
Royalties on the sale of by-products	$709 348	$280 093
Broadcast rights	431 959	192 550
Sale of courses and teaching material	321 736	574 648
Investment in productions:		
Radio-Québec	350 000	
Other investors	405 000	245 250
	2 218 043	1 292 541
Expenditure		
Cost of shows produced and broadcast		
Shows produced or under production at the beginning	679 673	
Cost of show production, including general expenses	2 989 433	1 527 869
	3 669 106	1 527 869
Less: Shows produced and under production at March 31, 1988	465 263	679 673
	3 203 843	848 196
Distribution cost	459 563	431 000
	3 663 406	1 279 196
Less: Expenditure assumed by Radio-Québec	1 202 250	113 548
	2 461 156	1 165 648
Surplus expenditure over revenue for the year	$243 113	$(126 893)

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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14. Fund for the production of educational audiovisual aids (cont'd)

FUND BALANCE
for the fiscal year ended March 31, 1988

	1988 (12 months)	1987 (5 ½ months) (adjusted)
Opening Fonds balance		
Balance carried forward	$781 441	
Adjustment -- expenditure assumed by Radio-Québec	113 548	
Adjusted balance	894 989	
Surplus expenditure over revenue for the year	(243 113)	$126 893
Surplus net assets from the gouvernement du Québec's Revolving Fund for Instructional Aids over the purchase price		768 096
Fund balance at March 31, 1988	$651 876	$894 989

BALANCE SHEET

	1988	1987
Accounts receivable	$599 948	$716 415
Owed by Radio-Québec	1 727 445	1 390 681
Shows produced and under production	465 263	679 673
	$2 792 656	$2 786 769
Accounts receivable	$90 780	$91 780
Deferred revenue	250 000	
	340 780	91 780
Advance from the gouvernement du Québec	1 800 000	1 800 000
	2 140 780	1 891 780
Fund balance	651 876	894 989
	$2 792 656	$2 786 769

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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15. Service exchanges

During the year, Radio-Québec took part in service exchanges totalling approximately $1 676 000 ($355 000 in 1987). This amount was not recorded in operations and was established based on the value of the acquired or transferred services. These transactions in no way affect the results of Société operations.

16. Commitments

Radio-Québec has made commitments under contracts extending until 2012 to pay a total of $16 847 711 for rented space and other goods and services.

Amounts due under these contracts break down as follows for the next five fiscal years:

1989	$5 224 216
1990	4 215 298
1991	2 754 693
1992	2 506 365
1993	1 036 322

17. Subsequent event

Long-term debt

On May 25, 1988, Radio-Québec contracted a loan for $10 000 000 through bond issues including $5 000 000 with an annual interest of 9.75%, maturing May 25, 1993, and $5 000 000 with an annual interest of 11.25%, maturing May 25, 2008.

Quarterly interest and the principal on the loan will be paid by Radio-Québec through subsidies allocated out of yearly appropriations voted for this purpose by Parliament.

AUDITOR'S REPORT

I have examined the balance sheet of Radio-Québec as at March 31, 1988 and the statements of revenue and expenditure, equity and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of Radio-Québec as at March 31, 1988 and the results of its operations and change in its financial position for the year then ended, in accordance with the accounting policies disclosed in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 10, 1988

RÉGIE DE L'ASSURANCE AUTOMOBILE DU QUÉBEC
R.S.Q., c. R-4

REVENUE AND EXPENDITURE
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986 (Note 13)
REVENUE		
Contributions		
Registration	365 207	350 659
Driver's licences (Note 3)	79 624	80 299
Issue and renewal fees	48 917	44 442
Investment earnings	358 354	328 477
Other	5 910	4 488
	858 012	808 365
EXPENDITURE		
Compensation paid		
Income replacement	123 596	115 985
Death benefits	37 295	32 884
Lump sums for permanent after-effects	37 142	38 392
Accommodation and clothing	13 104	12 916
Professional fees	9 595	8 821
Readaptation charges	6 802	5 360
Other	6 809	5 922
	234 343	220 280
Cost of health-care services (Note 8)	62 460	60 000
Increase in the actuarial reserve	411 100	400 200
Administrative expenses (Note 9)	137 945	127 977
	845 848	808 457
SURPLUS REVENUE OVER EXPENDITURE BEFORE THE FOLLOWING ITEMS:	12 164	(92)
Readjustment of the previous years' actuarial reserves (Note 10)	154 500	151 700
Cost of previous years' health-care services		(40 000)
SURPLUS REVENUE OVER EXPENDITURE	166 664	111 608

RÉGIE DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
		(Note 13)
OPERATING ACTIVITIES		
Surplus revenue over expenditure	166 664	111 608
Items not affecting funds		
Increase in the actuarial reserve	256 600	248 500
Depreciation on fixed assets	5 865	5 400
	429 129	365 508
Change in non-cash items	199 788	128 660
Funds generated by operating activities	628 917	494 168
INVESTMENT ACTIVITIES		
Funds entrusted to the Caisse de dépôt et placement du Québec		
Term deposits	40 219	11 133
Participation deposits	388 460	468 988
Acquisition of fixed assets	1 380	19 365
Disposal of fixed assets	(308)	(4 963)
Funds absorbed by investment activities	429 751	494 523
Amount allocated to the gouvernement du Québec for fixed assets with regard to highway safety	200 000	
DECREASE IN CASH DURING THE YEAR	834	355
OPENING CASH POSITION	3 015	3 370
CLOSING CASH POSITION	2 181	3 015

STABILIZATION RESERVE
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
		(Note 13)
OPENING BALANCE		
Balance carried forward	654 078	525 691
Adjustment		
Revenue from driver's licences (Note 3)	(16 779)	
Adjusted balance	637 299	525 691
Surplus revenue over expenditure	166 664	111 608
Amount allocated to the gouvernement du Québec for fixed assets with regard to highway safety (Note 6)	(200 000)	
CLOSING BALANCE	603 963	637 299

RÉGIE DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
		(Note 13)
ASSETS		
Cash	2 181	3 015
Accounts receivable	5 176	4 410
Accrued investment earnings	92 856	90 638
Deposits in the general fund of the Caisse de dépôt et placement du Québec		
Demand deposits	64 869	24 650
Participation deposits (Note 4)	3 628 090	3 239 630
Fixed assets (Note 5)	25 327	30 120
	3 818 499	3 392 463
LIABILITIES AND RESERVE		
Accounts payable and accrued charges	21 880	33 078
Owed the gouvernement du Québec (Note 6)	207 731	42 316
Commitments to victims -- Actuarial reserve (Note 7)	2 542 100	2 285 500
Deferred contributions	223 803	214 447
Deferred investment earnings	219 022	179 823
	3 214 536	2 755 164
Stabilization reserve	603 963	637 299
	3 818 499	3 392 463

COMMITMENTS (Note 11)

On behalf of the Board of Directors,

Jean P. Vézina, President and Chief Executive Officer
Paul Vézina, Vice-President

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution and purpose

A corporation within the meaning of the Civil Code, the Régie de l'assurance automobile du Québec was founded on March 31, 1978. The Régie is charged with:

(a) implementing the compensation plan for victims of bodily injury as prescribed by the Automobile Insurance Act;
(b) applying the plan for material compensation prescribed by Title IV of the Automobile Insurance Act;
(c) applying Highway Safety Code provisions covering the registration of road vehicles and the issuance of permits and licences, highway safety standards for vehicles, and commitments in the case of accidents; and
(d) promoting highway safety as relates to both driving habits and vehicle safety standards.

The Régie enjoys the rights and privileges of a Government agency and thereby collects set fees for vehicle registration and the issueing of driver's licences.

2. Accounting policies

The financial statements of the Régie were prepared by management according to the accrual accounting method in accordance with the accounting policies summarized below. They include amounts based on best estimates and judgment.

(a) Deposits in the General Fund of the Caisse de dépôt et placement du Québec

Participation deposits are recorded at the cost of acquisition.

(b) Fixed assets

Fixed assets are recorded at cost. They are depreciated as follows:

	Method	Service life
Building	Straight-line	50 years
Equipment	Straight-line	5 years
Computer hardware and software	Straight-line given the residual value	Maximum 5 years

Furniture and fixtures, the non-capitalized acquisition of equipment and computer and office automation equipment as well as leasehold improvements are charged to operations.

c) Actuarial reserve

The actuarial reserve includes:

(1) The capitalized value of income replacement, death benefits and other compensation for claims filed and accepted, less the current value of recoveries;
(2) the estimated cost of compensation payable for claims under study or not yet filed;
(3) the estimated cost for the future administration of compensation benefits.

d) Recovery of compensation paid

No account receivable is shown on the balance sheet for compensation to be recovered relating to accidents that occurred before March 1, 1978. Amounts collected during the year are posted to operations, reducing compensation paid.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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2. Accounting policies (cont'd)

e) Contributions

Contributions from vehicle registration and driver's licences are posted to revenue based on the period extending from the first day of the month of issue or renewal to the last day of the month preceding their expiry.

f) Investment earnings

Earnings paid quarterly to General Fund participation deposit shareholders by the Caisse de dépôt et placement du Québec include gains and losses on the sale of investments. This amount is deferred and amortized over a period of 10 years using the straight-line method.

3. Change in an accounting policy

Effective this year, all contributions from driver's licences are posted to revenue based on the period extending from the first day of the month of issue or renewal to the last day of the month preceding their expiry. Previously, contributions from the renewal of driver's licences issued before January 1, 1986, were posted to revenue based on the period extending from March 1 to the last day of February, including the date of renewal and the following corresponding period.

This change in accounting policy has resulted in a decrease of $12 542 000 ($16 779 000 in 1986) in surplus revenue over expenditure and an increase of $29 321 000 ($16 779 000 in 1986) in deferred contributions.

4. Participation deposits

Participation deposits in the General Fund of the Caisse de dépôt et placement du Québec are expressed in units, each unit providing its bearer with a participation in proportion to the Fund's net equity and net revenue.

At December 31, 1987, the Régie held 4 279 102 (4 338 023 in 1986) participation deposit units in the general fund of the Caisse de dépôt et placement du Québec at a total cost of $3 628 090 000 ($3 239 630 000 in 1986). These units are repayable, provided notice is given, in accordance with the provisions of the rules of the Caisse de dépôt, at the realization value of the net equity of the General Fund at the end of each quarter. Based on the unit realization value at December 31, 1987, the realization value of the participation deposits held is estimated at $3 893 218 501 ($3 727 652 753 in 1986). The Régie holds 22.8% of the outstanding participation deposit units (21.9% in 1986)

5. Fixed assets
(in thousands of dollars)

	1987			1986
	Cost	Accumulated depreciation	Net value	Net value
Land	1 636		1 636	1 636
Building	3 410	65	3 345	3 056
Computer hardware and software	31 492	11 452	20 040	24 999
Equipment	616	310	306	429
	37 154	11 827	25 327	30 120

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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6. Owed the gouvernement du Québec
(in milliers of dollars)

This item includes an amount of $200 million to be paid to the gouvernement du Québec for the cost of fixed assets with respect to highway safety under the Act to amend the Automobile Insurance Act (S.Q., 1987, c. 88), which entered into force December 18, 1987.

Under agreements reached, this amount will be paid as follows:

1988	50 000
1989	75 000
1990	75 000

7. Commitments to victims - Actuarial reserve
(in thousands of dollars)

	1987	1986
Claims filed and accepted:		
Capitalized value of future benefits including pension upgrading	2 224 900	2 009 400
Claims under study or not yet filed:		
Current estimated value of resulting compensation	190 200	163 500
Future administrative expenses:		
Current estimative value of charges for making benefit payments	127 000	112 600
	2 542 100	2 285 500

8. Cost of health-care services

Every year, the Régie pays the gouvernement du Québec an amount representing the repayment of the cost of health-care services provided as a result of traffic accidents. This amount is indexed once a year under section 119 of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9)

9. Administrative expenses
(in thousands of dollars)

	1987	1986
Wages, salaries and fringe benefits	71 647	67 796
Travel expenses	2 118	1 694
Charges for collecting contributions	10 774	8 088
Professional and administrative services	9 018	8 377
Fees and expenses for claims experts in helping victims	339	431
Communications	7 262	6 362
Information and advertising	3 688	2 510
Furniture, fixtures and equipment and maintenance	2 155	2 343
Rental of premises and equipment	9 009	8 396
Computer and office automation equipment	3 174	5 294
Rental and maintenance of computer and office automation supplies	6 284	5 442
Printing, office supplies and other expenses	6 612	5 844
Depreciation on fixed assets	5 865	5 400
	137 945	127 977

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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10. Readjustment of previous years' actuarial reserve

A comparison of the previous years' reserve established at December 31, 1987 with the expected reserve based on the previous valuation allows us to establish the amount released by the global changes in the reserve and the spread noted in the actuarial valuation at $154 500 000 at December 31, 1987.

11. Commitments
(in thousands of dollars)

At December 31, 1987, minimum payments for premises and computer hardware detail as follows:

1988	7 517
1989	4 916
1990	3 445
1991	1 492
1992	1 079
1993 and subsequent fiscal years	2 049
	20 498

12. Pension plans

Régie employees are members of the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan. Effective July 1, 1982, the cost of these plans is shared equally between the employees and the employer. The plans are of the defined benefit type and guarantee pension and death benefits. Régie contributions charged to operating results for the year total $2 496 720 (1986: $2 240 842). Obligations toward these government plans are limited to contributions for current services as an employer.

13. Comparative figures

Certain comparative figures from 1986 have been adjusted to reflect the change in accounting policy described in Note 3 and reclassified for consistency with the presentation adopted in 1987.

CERTIFICATE
concerning the valuation of the actuarial reserve of the Régie de l'assurance automobile du Québec
at December 31, 1987

The valuation at December 31, 1987 of the amount needed to meet all present and future compensation payments arising from traffic accidents which occurred prior to January 1, 1988, was carried out in accordance with the requirements of section 153 of the Automobile Insurance Act (R.S.Q., chapter A-25). Compensation awards covered by the valuation were those provided for under Title II and Chapter II of Title IV of the Automobile Insurance Act, for accidents which occurred between March 1, 1978 and January 1, 1988, as well as those provided for under Chapter III of Title IV of the said Act for accidents which occurred between September 30, 1961 and March 1, 1978.

The amount of the actuarial reserve at December 31, 1987 was $2 542.1 million and constitutes necessary and sufficient provision for payment of the said compensation.

In my opinion, the data used in the valuation are reliable and sufficient, the assumptions and methods used are appropriate to the circumstances and the valuation was conducted in accordance with generally accepted actuarial principles.

Jean-Pierre Provencher, F.I.C.A.
Martineau, Provencher & Associés Ltée

Montréal, March 25, 1988

RÉGIE DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Régie de l'assurance automobile du Québec as at December 31, 1987 and the statements of revenue and expenditure, stabilization reserve and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Régie as at December 31, 1987 and the results of its operations and change in financial position for the period then ended in accordance with the accounting policies described in Note 2, applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of recording revenue from driver's licence contributions mentioned in Note 3.

Conformance of operations with the Automobile Insurance Act

As mentioned in the Notes, the Régie has amended its rating policy with respect to revenue from driver's licence contributions. Its decision to give retroactive effect to the change in the method of recording revenue, as described in Note 3, resulted in a decrease of $12 542 000 (1986: $16 779 000) in surplus revenue over expenditure for the year, an increase of $29 321 000 (1986: $16 799 000) in deferred contributions at December 31, 1987, and a decrease of the same amount in the stabilization reserve. When this report was being drawn up, the change in rating policy had been submitted for Government approval but had not yet been approved as required under section 197 of the Automobile Insurance Act.

On behalf of the Auditor General,

Guy Breton, C.A.
Assistant Auditor General

Québec, March 31, 1988

RÉGIE DE L'ASSURANCE-DÉPOTS DU QUÉBEC
R.S.Q., c. A-26
DEPOSIT INSURANCE FUND

REVENUE, EXPENDITURE AND ACCUMULATED NET PROFIT
for the fiscal year ended December 31, 1987

	1987	1986
		(Note 7)
REVENUE		
Premiums	$11 702 888	$5 432 840
Inspection fees	7 442	43 038
Interest on deposits and other accounts receivable	265 376	13 140
Interest on advances to institutions		2 723
	11 975 706	5 491 741
OPERATING EXPENSES		
Wages, salaries and other remuneration	176 516	165 518
Interest on borrowings	85 239	721 273
Inspection fees	7 442	43 038
Other administrative expenses	102 112	98 331
	371 309	1 028 160
SURPLUS REVENUE OVER OPERATING EXPENSES	11 604 397	4 463 581
DECREASE IN THE ALLOWANCE FOR LOSSES	723 858	
NET PROFIT FOR THE YEAR	12 328 255	4 463 581
OPENING ACCUMULATED NET PROFIT	8 306 829	3 843 248
CLOSING ACCUMULATED NET PROFIT	$20 635 084	$8 306 829

RÉGIE DE L'ASSURANCE-DÉPOTS DU QUÉBEC

DEPOSIT INSURANCE FUND

CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31, 1987

	1987	1986
OPERATING ACTIVITIES		
Net profit for the year	$12 328 255	$4 463 581
Item not affecting liquid assets:		
Decrease in the allowance for losses	723 858	
Funds generated by operations	11 604 397	4 463 581
Change in advances to institutions		460 000
Recovery of claims on guaranteed deposits	990 423	5 842 287
Payment of claims on guaranteed deposits	(5 677)	(259 187)
Change in other assets and liabilities excluding liquid assets	(284 117)	174 985
Funds generated by operating activities	12 305 026	10 681 666
INVESTMENT ACTIVITIES		
Funds absorbed by investment activities:		
Demand deposits with the Caisse de dépôt et placement du Québec	(10 575 413)	(1 164)
FINANCING ACTIVITIES		
Funds absorbed by financing activities:		
Repayment of borrowings	(4 400 000)	(9 600 000)
(DECREASE) **INCREASE IN CASH POSITION DURING THE YEAR**	(2 670 387)	1 080 502
OPENING CASH POSITION	2 671 717	1 591 215
CLOSING CASH POSITION	$1 330	$2 671 717

RÉGIE DE L'ASSURANCE-DÉPOTS DU QUÉBEC

DEPOSIT INSURANCE FUND

ASSETS AND LIABILITIES
as at December 31, 1987

	1987	1986
		(Note 7)
ASSETS		
Cash	$1 330	$2 671 717
Premiums and other accounts receivable	784 781	354 185
Demand deposits with the Caisse de dépôt et placement du Québec	10 588 703	13 290
Advances to registered institutions (Note 3)	7 500 000	7 500 000
Claims on guaranteed deposits (Note 4)	3 454 593	3 715 481
	$22 329 407	$14 254 673
LIABILITIES		
Accounts payable	$694 323	$475 042
Borrowings		4 400 000
Accrued interest on borrowings		72 802
	694 323	4 947 844
NET EQUITY OF THE FUND		
Contribution from the gouvernement du Québec	1 000 000	1 000 000
Accumulated net earnings	20 635 084	8 306 829
	21 635 084	9 306 829
	$22 329 407	$14 254 673

GUARANTEED DEPOSITS (Note 5)
CONTINGENT LIABILITY (Note 6)

On behalf of the Board of Directors,

Jean-Marie Bouchard
Louis-Paul Nolet

RÉGIE DE L'ASSURANCE-DÉPOTS DU QUÉBEC

DEPOSIT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution, purpose and financing

The purpose of the Régie de l'assurance-dépôts du Québec, incorporated under the Deposit Insurance Act, is to:

- control the solicitation and reception of deposits of money from the public;
- guarantee, for any person who has deposited money in a registered institution, payment of the principal and interest on such deposits at their respective maturities, up to $60 000;
- manage a deposit insurance fund;
- administer a system of licences.

By virtue of this Act:

- The deposit insurance fund must be maintained for the performance of the guarantee obligation as well as to exercise certain powers. Premiums collected by the Régie are paid into this fund, as are the amounts that the Minister of Finance can, when authorized by the Government and under conditions set by it, pay to the Régie.
- Should the resources of the Régie be insufficient to pay its obligations or exercise its powers, the Minister of Finance can, when authorized by the Government and under conditions set by it, make advances to the Régie or guarantee payment of any commitment the latter may make. The total unpaid balance of such advances and guaranteed commitments must not exceed $700 000 000.

2. Accounting policies

Régie financial statements were prepared by management according to the accrual method of accounting and in accordance with the accounting policies stated below. They include amounts based on best estimates and judgments.

Premiums

Premiums collected from registered institutions are based on the amount of their insured deposits at April 30 of each year.

Allowance for losses

Allowance for losses, determined on a case by case basis, arising from the subrogation of depositors' rights and interests or from specific intervention taken is entered on the books as soon as a reasonable evaluation can be carried out. The annual change in this allowance is recorded in the statement of revenue, expenditure and accumulated net profit.

Administrative expenses

The cost of the fringe benefits granted to employees of the Régie is covered by the gouvernement du Québec and is not shown in the financial statements.

RÉGIE DE L'ASSURANCE-DÉPOTS DU QUÉBEC

DEPOSIT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

3. Advances to registered institutions

	1987	1988
Société d'entraide économique du Québec Inc., interest-free, payable in 1991 and secured by a term deposit with a bank	$5 000 000	$5 000 000
Fédération des caisses d'établissement du Québec, interest-free, payable in 1988 and secured by bonds	2 500 000	2 500 000
	$7 500 000	$7 500 000

4. Claims on insured deposits

	1987	1986
Claims	$12 254 593	$13 239 339
Allowance for losses	8 800 000	9 523 858
	$3 454 593	$3 715 481

When the Régie pays a cash deposit instead and on behalf of an institution, it subrogates in the rights of the institution and claims from the latter the amount thus paid.

5. Insured deposits

According to the annual reports filed by institutions registered at April 30, 1987, insured deposits amounted to $35 billion ($31.6 billion in 1986), $7.4 billion ($6.2 billion in 1986) of which was held by trust or loan companies incorporated under a federal act and not required to pay a premium.

By virtue of an agreement reached with the Canada Deposit Insurance Corporation, the latter will compensate the Régie and release it from any responsibilities resulting from a guarantee granted by the latter on deposits from a trust or loan company incorporated under a federal act.

6. Contingent liability

Crown Trust

This Ontario trust company was seized by the government of that province on January 7, 1983.

According to an agreement reached February 7, 1983 between Crown Trust, Central Trust, the Canada Deposit Insurance Corporation and the Registrar under the Loan and Trust Corporations Act of Ontario, Central Trust was appointed to administer the affairs of Crown Trust for a period of five years.

Given that the deposits received by Crown Trust in Québec are secured by the Régie, an agreement is to be reached with the Canada Deposit Insurance Corporation to determine the type and amount of losses that the Régie may be called on to assume.

As no agreement on this issue has yet been reached with the Canada Deposit Insurance Corporation, and given the impossibility of assessing any eventual loss, no allowance for losses has been recorded in the financial statements.

An eventual agreement could have a major effect on the net equity of the deposit insurance fund.

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7. Comparative figures

Certain comparative figures from 1986 have been reclassified for consistency with the presentation adopted in 1987.

AUDITOR'S REPORT

I have examined the statement of assets and liabilities of the Régie de l'assurance-dépôts du Québec's deposit insurance fund as at December 31, 1987 and the statements of revenue, expenditure and accumulated net profits and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, except for the eventual adjustment stemming from the agreement to be reached with the Canada Deposit Insurance Corporation mentioned in Note 6, these financial statements present fairly the financial position of the Fund as at December 31, 1987 as well as the results of its operations and change in financial position for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, March 4, 1988

RÉGIE DE L'ASSURANCE-MALADIE DU QUÉBEC
R.S.Q., c. R-5

COST AND FINANCING OF PROGRAMS ADMINISTERED BY THE RÉGIE
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	Health Insurance Plan	Health Assistance	Other Programs	Total 1988	Total 1987
COST OF PROGRAMS					
Medical services	1 479 137		69 694	1 548 831	1 437 858
Optometric services	38 748	3 432		42 180	39 838
Dental services	72 146	40 464		112 610	114 488
Drugs and pharmaceutical services	251 293	91 798	103	343 194	298 092
Protheses	23 110	7 571		30 681	28 797
Scholarships and allowances	19 040			19 040	12 985
Hospital services (Note 5)			129 377	129 377	113 448
	1 883 474	143 265	199 174	2 225 913	2 045 506
Recovery of third-party liabilities and contributions from foreign nationals for hospital care			2 899	2 899	2 544
	1 883 474	143 265	196 275	2 223 014	2 042 962
Administrative expenses (Note 6)	49 454	5 268	1 835	56 557	57 743
	1 932 928	148 533	198 110	2 279 571	2 100 705
SOURCES OF FINANCING					
Health Services Fund	1 889 479			1 889 479	1 745 572
Gouvernement du Québec		148 533	180 110	328 643	299 291
Reciprocal agreements with other provinces (Note 5)			18 000	18 000	15 902
Commission de la santé et de la sécurité du travail	41 849			41 849	38 503
Other	1 600			1 600	1 437
	1 932 928	148 533	198 110	2 279 571	2 100 705

ASSETS AND LIABILITIES
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
Cash	2 443	107
Contributions receivable from the Health Services Fund	218 892	181 413
Charges to recover:		
Health Assistance Plan	14 962	21 110
Other programs	62 682	28 129
Miscellaneous accounts receivable	2 508	2 002
Head office building (Note 4)	16 421	16 772
	317 908	249 533
LIABILITIES		
Outstanding cheques	9 096	11 306
Insured services payable	285 596	212 371
Miscellaneous accounts payable and accrued charges	6 795	9 084
Mortgage loan (Note 4)	16 421	16 772
	317 908	249 533

On behalf of the Régie,

J.- Auguste Mockle
President and Chief Executive Officer

Louise Carrier-Rivard
Member of the Board of Directors
and Audit Committee

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

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1. Constitution, purpose and financing

Created under the Act respecting the Régie de l'assurance-maladie du Québec, the Régie is a corporation responsible for administering the health insurance plan and any other program entrusted to it by the Government or the Act.

The Régie is charged with administering, among others, the health assistance program of the ministère de la Main-d'oeuvre et de la Sécurité du revenu, the ministère de l'Enseignement supérieur et de la Science's program for remunerating resident doctors and interns, and the following parts of ministère de la Santé et des Services sociaux programs: the payment of hospital services rendered outside Québec, as well as the collection of amounts recoverable for hospital services from liable third parties, residents of other provinces and foreign nationals. The Régie also pays for the professional services of physicians working under legislation administered by the Commission de la santé et de la sécurité du travail, which then reimburses the Régie.

Funding for the health insurance plan comes from the Health Services Fund, itself financed through employer contributions and sums paid by the Minister of Finance from the Consolidated Revenue Fund according to Régie needs.

2. Accounting policies

The Régie's financial statements were prepared by management, according to the accounting policies described below. They include amounts which are based on best estimates and judgment.

Sources of financing

Revenue is recorded on the accrual basis, except for amounts recovered from third parties and contributions from foreign nationals which are entered on a cash basis.

Cost of programs

Services charged to the health insurance and health assistance programs include the estimated value of requests for payment received by April 30 for services rendered and drugs supplied before the first of that month.

Administrative expenses

Administrative expenses are recorded on the accrual basis.

Fixed assets

The head office building is recorded at cost of acquisition, and depreciation is charged on the basis of that portion of the mortgage loan repaid during the year. The purchase of furniture and equipment, along with the cost of leasehold improvements, is posted to administrative expenses.

3. Change in an accounting policy

Effective this year, amounts charged to the cost of all programs include the appraised value of requests for payment received up to April 30 for services rendered and drugs supplied prior to April 1; previously, expenditure related to other programs was recorded only upon outlay. This change has been applied prospectively and has resulted in an increase in the following items in the financial statements for the fiscal year ended March 31, 1988.

Assets and liabilities

Costs to be recovered	
Health assistance program	1 037
Other programs	27 443
Services payable	28 480

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

3. Change to an accounting policy

Cost and financing of programs

Cost of programs	28 480
Sources of financing	28 480

4. Head office building and mortgage loan

	1988	1987
Cost of building	18 537	18 537
Accumulated depreciation	2 116	1 765
	16 421	16 772

To finance the cost of this building, the Régie concluded, in July 1983, a mortgage loan of $17 735 000 at 12.25% annually, repayable by monthly instalments of $194 642, including principal and interest, maturing August 1, 1988.

Repayment of this loan is guaranteed by the gouvernement du Québec.

5. Hospital services

	1988	1987
Hospital services to Québec residents outside the province	111 377	97 546
Hospital services provided in Québec to residents of other provinces	18 000	15 902
	129 377	113 448

6. Administrative expenses

	1988	1987
Wages, salaries and fringe benefits	38 030	38 947
Office space, equipment and furniture	8 549	8 992
Materials and supplies	2 993	2 231
Transportation and communications	2 717	2 683
Interest on mortgage loan	1 981	2 021
Professional and other services	1 936	2 558
Depreciation on head office building	351	311
	56 557	57 743

7. Remuneration of health professionals

The agreement with the Association des spécialistes en chirurgie buccale et maxillofaciale du Québec expired May 31, 1985 and the agreements with the Association des chirurgiens dentistes du Québec and the Association professionnelle des optométristes du Québec, May 31, 1987. Until new agreements are signed, the professionals concerned will continue to be paid according to the rates in effect.

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8. Pension plans

Régie employees and salaried health professionals are members of the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan. Effective July 1, 1982, the cost of these plans is shared equally between the employees and the employers. They are of the defined benefit type and guarantee pension and death benefits. Régie contributions charged to operating results for the year total $1 618 372 (1987: $1 505 552) for its employees and are included in administrative expenses. Contributions for salaried health professionals amount to $3 785 820 (1987: $3 593 150) and are included in the cost of programs under "Medical services" and "Dental services". Régie obligations toward these Government plans are limited to its contributions for current services as an employer.

AUDITOR'S REPORT

I have examined the statement of assets and liabilities of the Régie de l'assurance-maladie du Québec at March 31, 1988 and the statement of the cost and financing of programs administered by the Régie for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the assets and liabilities of the Régie as at March 31, 1988 and its operating costs and financing for the year then ended in accordance with the accounting policies stated in Note 2 and, except for the change in recording of expenditure for other programs mentioned in Note 3, these policies have been applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 30, 1988

RÉGIE DES ASSURANCES AGRICOLES DU QUÉBEC
R.S.Q., c. A-30
INSURANCE FUNDS

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
FARM INCOME STABILIZATION INSURANCE FUND		
Revenue		
Member premiums	$62 059 266	$46 858 961
Contribution from the gouvernement du Québec	124 118 532	93 717 922
	186 177 798	140 576 883
Expenditure		
Compensation paid to the insured	135 648 834	157 891 722
Interest on borrowing	1 364 401	3 840 621
Administrative expenses (Note 6)	1 967 642	1 917 937
	138 980 877	163 650 280
Less: Expenses assumed by the gouvernement du Québec	1 967 642	1 917 937
	137 013 235	161 732 343
SURPLUS REVENUE OVER EXPENDITURE	49 164 563	(21 155 460)
CROP INSURANCE FUND		
Revenue		
Member premiums	14 541 248	12 074 278
Contribution from the gouvernement du Québec	14 541 248	12 074 278
	29 082 496	24 148 556
Interest on deposits	1 590 519	3 238 597
	30 673 015	27 387 153
Expenditure		
Indemnities and compensation	21 753 498	56 486 372
Administrative expenses (Note 6)	11 149 967	10 868 319
	32 903 465	67 354 691
Less: Expenses assumed by the gouvernement du Québec	11 149 967	10 868 319
	21 753 498	56 486 372
Surplus revenue over expenditure	8 919 517	(29 099 219)
ACCUMULATED SURPLUS REVENUE OVER EXPENDITURE FOR THE TWO INSURANCE FUNDS	$58 084 080	$(50 254 679)

RÉGIE DES ASSURANCES AGRICOLES DU QUÉBEC

INSURANCE FUNDS

DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
FARM INCOME STABILIZATION INSURANCE FUND		
Opening deficit	$159 327 984	$138 172 524
Surplus revenue over expenditure	49 164 563	(21 155 460)
Closing deficit	110 163 421	159 327 984
CROP INSURANCE FUND		
Opening surplus	6 057 067	(23 042 152)
Surplus revenue over expenditure	8 919 517	(29 099 219)
Closing (surplus) deficit	(2 862 450)	6 057 067
CLOSING INSURANCE FUNDS DEFICIT	$107 300 971	$165 385 051

RÉGIE DES ASSURANCES AGRICOLES DU QUÉBEC

INSURANCE FUNDS

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$25 590 462	
Contribution from the gouvernement du Québec receivable and accrued	10 623 745	$27 434 273
Accounts receivable and accrued interest	4 923 862	1 563 809
Advances to the insured (Note 3)	38 285 823	32 026 017
	$79 423 892	$61 024 099
LIABILITIES		
Outstanding cheques less cash		$14 369 812
Accounts payable	$170 343	445 236
Provision for indemnities and compensation to the insured	62 274 543	22 366 392
Unrealized premiums and contribution	124 279 977	131 110 353
Borrowing and accrued interest (Note 4)		58 117 357
	186 724 863	226 409 150
DEFICIT		
Farm Income Stabilization Insurance Fund - deficit (Note 4)	110 163 421	159 327 984
Crop Insurance Fund - (surplus) deficit (Note 5)	(2 862 450)	6 057 067
Insurance funds deficit	107 300 971	165 385 051
	$79 423 892	$61 024 099

CONTINGENT LIABILITY (Note 7)

On behalf of the Régie,

Michel R. St-Pierre, Chairman
Guy Blanchet, Vice-Chairman

RÉGIE DES ASSURANCES AGRICOLES DU QUÉBEC

INSURANCE FUNDS

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution, purpose and financing

The Régie des assurances agricoles du Québec, a corporation within the meaning of the Civil Code, is charged with administering the crop insurance and farm income stabilization insurance plans established by the Government.

Farm income stabilization insurance schemes

The purpose of farm income stabilization insurance is to guarantee producers an annual net income. Member premiums and the contribution from the Government is double that of contributions forming an insurance fund which, in the long term, will be sufficient to pay compensation to which participants are entitled.

Where the resources of the insurance fund prove insufficient to pay compensation, the Minister of Finance is authorized to advance sums to the Régie from the Consolidated Revenue Fund to make good any deficiency in such payments. The reimbursement of advances is subject to terms set by the Government.

The Régie may borrow funds to make payments under a farm income stabilization insurance scheme. It may use as security for such borrowings all or part of the premiums it collects from farmer and Government contributions. The Government sets the amount of any borrowing, the interest rate and other terms as well as the conditions under which premiums and contributions may be used as security. The Government may also guarantee Régie borrowings.

Crop insurance

The object of the crop insurance plan is to provide a guarantee to farmers of a minimum return for their production upon payment of premiums. The contribution of the Government and the premiums farmers pay (50-50) serve to create an insurance fund which, in the long term, will be sufficient to pay indemnities guaranteed under contract to farmers.

Where the resources of the insurance fund prove insufficient to pay indemnities and compensation, the Minister of Finance is authorized to advance sums to the Régie from the Consolidated Revenue Fund to make good any deficiency in such payments. The reimbursement of advances is subject to terms set by the Government.

2. Accounting policies

The Régie's financial statements were prepared by management according to the accrual method and in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Insurance premiums, contributions and compensation

Contributions and premiums for the insurance schemes are recorded as revenue for the fiscal year during which the insurance year and/or the period used to establish prices for compensation purposes, ends.

Advances to insured members

Advances to insured members represent a portion of compensation paid to producers as a down payment before the end of the insurance year is up or the period of price setting is over. This measure is applied when the spread between the price guaranteed by the Régie and the market price justifies such action and when it is obvious that such a spread will continue until the end of the insurance year is up or the period of price setting is over.

Administrative expenses

For the purposes of presentation in its financial statements, the Régie's administrative expenses assumed by the Government are divided between the insurance funds.

The cost of fringe benefits to Régie employees and that of support services are paid out of appropriations voted to the various departments and agencies concerned and are not shown in the statement of revenue and expenditure of the insurance funds.

2. Accounting policies (cont'd)

The acquisition cost of supplies and equipment is charged to expenditure for the year, in accordance with Government accounting policies.

3. Advances to the insured

	1988	1987
Scheme		
Corn grain producers	$18 531 098	$23 605 491
Grain producers	16 459 146	8 420 526
Potato producers	3 295 579	
	$38 285 823	$32 026 017

4. Breakdown by Farm Income Stabilization Insurance Fund scheme

	Balance (deficit) at March 31, 1987	Premiums and contribution	Compensation to the insured	Breakdown of interest on borrowing	Balance (deficit) at March 31, 1988
Scheme for producers of					
Feeder calf*	$(37 929 632)	$39 550 585	$23 200 353	$(331 170)	$(21 910 570)
Slaughter steer and cattle*	(10 206 483)	12 284 372	8 480 574	20 395	(6 382 290)
Heavy veal	(4 039 916)	10 138 379	4 914 941	174 822	1 358 344
Piglets	(18 816 763)	27 451 867	52 977	1 480 338	10 062 465
Feeder hogs	12 024 855	35 581 335	11 313 446	2 217 161	38 509 905
Lamb	(8 071 209)	5 912 246	3 242 162	(354 165)	(5 755 290)
Potato	(36 411 674)	9 361 506	(2 774 423)	(2 117 350)	(26 393 095)
Corn grain	(31 395 556)	31 192 279	57 669 435	(1 538 003)	(59 410 715)
Grain	(11 605 047)	14 705 229	29 563 910	241 560	(26 222 168)
Sugar beet **	(12 876 559)		(14 541)	(1 157 989)	(14 020 007)
	$(159 327 984)	$186 177 798	$135 648 834	$(1 364 401)	$(110 163 421)

* At December 31, 1986, the beef cattle regime was split into two regimes, feeder calf and slaughter steer and cattle.

** On March 9, 1988, the gouvernement du Québec authorized the Minister of Agriculture, Fisheries and Food to pay the Régie des assurances agricoles du Québec, during fiscal 1988-1989, a subsidy representing one fifth of the total accumulated deficits as at March 31, 1988 for the crop insurance and farm income stabilization insurance funds for sugar beet production.

The Minister is further authorized to pay a similar subsidy, plus accrued interest, for each of next four fiscal years.

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5. Breakdown by category of crop insurance

	Balance (deficit) at March 31, 1987	Premiums and contribution	Compensation to the insured	Breakdown of interest on borrowing	Balance (deficit) at March 31, 1988
Group					
Grain	$934 489	$1 142 226	$2 022 323	$130 837	$185 229
Corn silage	580 127	557 006	13 995	99 271	1 222 409
Hay	(9 893 254)	9 378 359	98 383	(30 148)	(643 426)
Corn grain	(3 823 530)	1 002 716	40 355	(253 750)	(3 114 919)
Honey	(409 619)	146 877	1 677	(24 199)	(288 618)
Individual					
Field crops					
Grain	2 893 690			254 775	3 148 465
Corn silage	1 814 170	2 604	2 395	159 821	1 974 200
Hay	3 055 580			269 005	3 324 585
Commercial crops					
Commercial grains	2 411 287	1 658 422	3 348 202	299 527	1 021 034
Winter grains	(458 115)	405 756	305 328	(4 800)	(362 487)
Seed grains	435 523	9 879	14 949	38 766	469 219
Legumes	228 769	454 488	522 750	29 071	189 578
Corn grain	(2 185 815)	6 189 609	3 157 680	345 458	1 191 572
Fruit crops					
Blueberries	(243 525)	58 204	15 395	(17 126)	(217 842)
Strawberries	(532 706)	354 434	745 938	(41 055)	(965 265)
Raspberries	(276 255)	79 896	87 404	(20 077)	(303 840)
Dwarf and semi-dwarf apple trees	242 431	193 513	45 818	38 031	428 157
Apples(classified)	(2 881 822)	1 517 332	2 875 061	(194 614)	(4 434 165)
Apples (unclassified)	(314 301)	142 418	113 604	(13 154)	(298 641)
Industrial crops					
Sugar beets	(243 782)			(21 932)	(265 714)
Wax beans	467 181	51 450	85 864	42 971	475 738
Green beans	16 368	66 212	104 204	3 254	(18 370)
Sweet corn	158 640	179 172	249 516	20 633	108 929
Green peas, smooth	416 257	210 733	256 902	44 558	414 646
Green peas, wrinkled	844 010	142 733	275 777	78 015	788 981
Cigar and pipe tobacco	220 405	12 788	21 166	20 280	232 307
Blond tobacco	6 886 419	1 043 702	1 613 100	628 739	6 945 760
Greenhouse crops					
Cucumbers	(4 378)	5 969	36 323	(1 724)	(36 456)
Lettuce	(8 334)	1 854		(466)	(6 946)
Tomatoes	(70 912)	58 169	39 114	(2 399)	(54 256)
Market crops					
Leaf vegetables	(91 995)	285 943	662 662	6 296	(462 418)
Fruits	(507 930)	330 881	474 010	(23 884)	(674 943)
Root vegetables	(1 004 571)	562 406	651 086	(48 981)	(1 142 232)
Hardy vegetables	(2 875)	6 279	16 852	(505)	(13 953)
Potatoes	(4 072 412)	2 418 183	3 032 281	(187 218)	(4 873 728)
Misc. vegetables	(636 282)	412 283	823 384	(32 757)	(1 080 140)
	$(6 057 067)	$29 082 496	$21 753 498	$1 590 519	$2 862 450

6. Administrative expenses

	1988	1987
Farm Income Stabilization Insurance Fund		
Wages, salaries, allowances and other remuneration	$767 247	$582 329
Transportation and communications	68 208	41 804
Professional, administrative and other services	882 490	1 075 635
Maintenance and repairs	12 304	10 526
Rent	120 241	112 066
Materials and supplies	54 384	53 845
Equipment	59 179	41 340
Other	3 589	392
	$1 967 642	$1 917 937
Crop Insurance Fund		
Wages, salaries, allowances and other remuneration	$4 347 735	$3 299 864
Transportation and communications	386 511	236 891
Professional, administrative and other services	5 000 779	6 095 268
Maintenance and repairs	69 720	59 647
Rent	681 363	635 041
Materials and supplies	308 175	305 122
Equipment	335 345	234 263
Other	20 339	2 223
	$11 149 967	$10 868 319

7. Contingent liability

A class action suit has been brought against the Régie in relation to the section of the income stabilization insurance scheme for meat producers that was replaced December 31, 1986 by the income stabilization insurance scheme for feeder calf producers.

The principal concern of the suit, which is for an amount in the order of $1 200 000, is the method used for assessing damage.

A decision was rendered in favour of the Régie on June 20, 1986; however, the plaintiff appealed the case in July 1986.

No provision for this case has been recorded in the financial statements. Any loss resulting from the case will be posted to operations for the current fiscal year.

The amount of any adjustment which may result from this contingent liability will be posted to income and expenditures when it is determined.

RÉGIE DES ASSURANCES AGRICOLES DU QUÉBEC

INSURANCE FUNDS

AUDITOR'S REPORT

I have examined the balance sheet of the insurance funds administered by the Régie des assurances agricoles du Québec as at March 31, 1988 as well as the statements of revenue and expenditure and deficit for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the insurance funds administered by the Régie as at March 31, 1988 and the results of their operations for the fiscal year then ended according to the accounting policies set out in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, September 9, 1988

RÉGIE DES INSTALLATIONS OLYMPIQUES
R.S.Q., c. R-7
OPERATING FUND

OPERATING RESULTS
for the fiscal year ended October 31, 1987
(in thousands of dollars)

	1987	1986
REVENUE		
Sports facilities:		
Rent and admission fees	4 840	5 221
Parking	1 548	1 367
Apartments, commercial and office space:		
Rent and parking	11 258	10 827
Fees -- food concessions	1 434	881
Restaurants	741	1 612
Advertising	1 403	1 516
Energy costs recovered from third parties	776	715
Work and services invoiced to tenants	407	730
Tours and souvenirs	641	454
Other revenue	106	91
	23 154	23 414
EXPENDITURE		
Wages and salaries - regular employees	7 002	7 087
Wages and salaries - casual employees	1 377	1 475
Fringe benefits	781	752
Service contracts	5 896	6 275
Materials and equipment rental	1 591	1 571
Food and beverages for restaurants	234	598
Power, heat, light and air conditioning	4 326	4 097
Insurance, taxes and easements	1 024	975
Self-insurance provision	170	
Professional fees	417	387
Commissions, royalties and fees	492	562
Interest on short-term borrowings	472	723
Interest on the long-term debt	58	
Tickets for resale	339	408
Stationery, printing, telephone and messenger services	448	458
Advertising	267	174
Other	419	541
Depreciation on fixed assets	2 030	2 094
Expenses charged to the construction fund	(613)	(790)
	26 730	27 387
OPERATING DEFICIT	(3 576)	(3 973)
Extraordinary items (Note 3)	(454)	(523)
TOTAL DEFICIT	(4 030)	(4 496)
Gouvernement du Québec subsidy (Note 4)	4 030	4 496

The notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

OPERATING FUND

BALANCE SHEET
as at October 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Cash	80	55
Accounts receivable	322	507
Balance of subsidy receivable	30	821
Advance to Construction Fund	86	65
Inventory	423	589
Prepaid expenses	357	326
Fixed assets, at unamortized cost (Note 5)	9 158	9 309
	10 456	11 672
LIABILITIES		
Bank advances	231	167
Short-term borrowings		6 757
Accounts payable and commitments	4 027	3 588
Self-insurance provision	170	
Long-term debt (Note 6)	5 000	
Deferred revenue	1 028	1 160
	10 456	11 672

The notes are an integral part of the financial statements.

On behalf of the Board of Directors,

Jean Deschamps, Director
Pierre Laberge, Director

RÉGIE DES INSTALLATIONS OLYMPIQUES

OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
at October 31, 1987
(in thousands of dollars)

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1. Legal status and scope of activity

The Régie des installations olympiques, a corporation created under the Act respecting the Régie des installations olympiques, is an agent of the Government.

The Régie has been mandated to operate the Olympic Village and its facilities, as well as the Centre Paul-Sauvé.

The Régie must first use its revenue for operations, then for paying off loans, advances and other commitments made in connection with the Olympic facilities. Once these debts have been paid off, Olympic Park facilities will become the property of the Ville de Montréal.

2. Main accounting practices

Expenses charged to the Construction Fund

The Régie charges the Construction Fund with all direct and indirect administrative expenses that are related to the completion of facilities and settlement of pre-Olympic accounts.

Income tax

As an agent of the gouvernement du Québec, the Régie is not subject to income tax.

Claims

The Régie records claims against third parties at the time of settlement.

Inventory

Inventory is valued at the lesser of cost or net realization value, cost being determined using the average cost method.

Depreciation

Fixed assets acquired for operations are depreciated over their estimated service life using the straight-line method, at the following annual rates:

Equipment and household appliances	20%
Outdoor electronic billboards	10%
Leasehold and specific improvements	Length of the lease granted by the Régie for rented premises and 20% for others
Synthetic covering - Stadium	12.5%
Rolling stock	10% et 26.3%

Commitments

The Régie records the cost of goods when the purchase order is issued.

3. Extraordinary item

	1987	1986
Proceeds of claims	150	57
Major repair expenses	(604)	(580)
	(454)	(523)

RÉGIE DES INSTALLATIONS OLYMPIQUES

OPERATING FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
at October 31, 1987
(in thousands of dollars)

4. Gouvernement du Québec subsidy

The subsidy paid by the gouvernement du Québec as financial assistance to the Régie to cover its operating deficit has been established as follows:

	1987	1986
Total deficit for the year	4 030	4 496

The Conseil du Trésor of the gouvernement du Québec pays the Régie a financial assistance subsidy established as follows:

a) The Régie establishes its subsidy request as part of its annual budget presentation;

b) The Government pays 75% of the anticipated subsidy during the year;

c) Upon presentation of the Régie's financial statements, the Government pays the balance required to cover the operating deficit up to the maximum amount indicated in the budget;

d) If the operating deficit for the year is greater than the anticipated subsidy, the Government will cover the difference during the following fiscal year by increasing its subsidy by that amount;

e) If payment of the initial portion (75%) of the subsidy generates a surplus, the Government will recover such surplus by reducing the subsidy for the following year by an equivalent amount.

5. Fixed assets

	1987		1986	
	Cost	Unamortized cost	Cost	Unamortized cost
Equipment	5 749	1 103	5 473	1 242
Household appliances	1 321	3	1 321	4
Outdoor electronic billboards	1 239	692	1 239	816
Leasehold and specific improvements	10 731	4 830	10 510	5 723
Synthetic covering - Stadium	1 955	979	1 955	1 224
Rolling stock	785	488	370	135
Projects under way	1 063	1 063	165	165
	22 843	9 158	21 033	9 309
Accumulated depreciation	13 685		11 724	

6. Long-term debt

	1987	1986
Bonds, bearing interest at a rate of 11.10% payable quarterly, maturing September 24, 1992	5 000	

Bonds are guaranteed by the gouvernement du Québec.

RÉGIE DES INSTALLATIONS OLYMPIQUES

OPERATING FUND

AUDITORS' REPORT

To the Minister responsible for the Régie des installations olympiques

We have examined the balance sheet of the Operating Fund of the Régie des installations olympiques as at October 31, 1987 and the statement of operating results for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Operating Fund of the Régie des installations olympiques as at October 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies disclosed in Note 2, applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montréal, December 16, 1987

RÉGIE DES INSTALLATIONS OLYMPIQUES
R.S.Q., c. R-7
CONSTRUCTION FUND

CASH FLOW
for the fiscal year ended October 31, 1987
(in thousands of dollars)

	1987	1986
FINANCING		
Contributions received from the Special Olympic Fund	72 878	66 530
Long-term borrowing	2 773	
Proceeds from a long-term borrowing repaid to the Special Olympic Fund	(2 773)	
Repayment of long-term borrowings	(32 000)	
Source of liquid assets	40 878	66 530
INVESTMENTS		
Outlay on construction	(40 647)	(69 817)
Recovery of advance on a construction contract	4 918	9 488
Proceeds from the disposal of fixed assets	8	
Transfer to the Special Olympic Fund of proceeds from the disposal of fixed assets	(8)	
Net change in other assets and liabilities	21	213
Application of liquid assets	(35 708)	(60 116)
INCREASE IN CASH POSITION	5 170	6 414
OPENING CASH POSITION	(5 197)	(11 611)
CLOSING CASH POSITION	(27)	(5 197)

CASH FLOW SUMMARY

	1987	1986
Cash		3
Bank overdraft	(27)	
Short-term borrowings		(5 200)
	(27)	(5 197)

The notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

BALANCE SHEET
as at October 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Construction cost for facilities (Note 4)	1 199 795	1 168 432
Capitalized interest on long-term borrowings	16 160	16 160
	1 215 955	1 184 592
Contributions received (Note 5)	(720 895)	(650 790)
	495 060	533 802
Other assets		
Cash		3
Advance on a construction contract	459	5 377
Prepaid expenses	4	4
Costs to be assumed by the Special Olympic Fund (Note 6)	128 981	154 384
	129 444	159 768
	624 504	693 570
LIABILITIES		
Bank overdraft	27	
Long-term debt (Note 7)	604 211	660 688
Short-term borrowings		5 200
Accounts and commitments payable (Note 8)	2 010	11 294
Holdback on construction contract	3 000	3 000
Owed the Operating Fund	86	65
Accrued interest	15 170	13 323
	624 504	693 570

The notes are an integral part of the financial statements.

On behalf of the Board of Directors,

Jean Deschamps, Director
Pierre Laberge, Director

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS
at October 31, 1987
(in thousands of dollars)

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1. Legal status and scope of activity

The Régie des installations olympiques, a corporation acting as agent of the gouvernement du Québec, is sole proprietor of moveable and fixed assets erected for the Games of the XXIst Olympiad, the Olympic Village and the Centre Paul-Sauvé, and is charged with completing and operating the facilities.

The Régie must use its revenue first for operations, then for paying off loans, advances or other commitments made in connection with the Olympic facilities. Once these debts have been paid off, Olympic Park facilities will become the property of the Ville de Montréal.

2. Associated organization

The Special Olympic Fund was constituted by legislation to receive the special tax on tobacco collected by the Minister of Revenue, the proceeds from the disposal of fixed assets from the Régie Construction Fund, and net Loto-Canada receipts earmarked for Québec.

This special fund is administered by the Minister of Finance of Québec and is used solely for the repayment of loans contracted by the Régie, the payment of interest on these borrowings and for covering the cost of completing the Olympic facilities.

3. Main accounting policies

Construction cost for facilities

Except for the land on which the Olympic facilities and those of the Centre Paul-Sauvé are erected, cost includes construction, administrative and financing costs, and any issuance expenses on long-term debt incurred from the outset. The cost of machinery and tools used during construction is also included in the construction cost of the facilities.

Disposal of fixed assets

When assets recorded in the Construction Fund are disposed of, the cost of such assets and the corresponding contributions are not removed from the books. However, the proceeds are paid into the Special Olympic Fund under the Act governing the Fund.

Contributions received

The Régie's policy is not to depreciate that portion of the construction cost of Olympic Park and Village facilities that is covered by contributions received.

These contributions include direct contributions from associated organizations, payments on the debt by the Special Olympic Fund and the cost of completing the Olympic facilities not covered by long-term debts.

Contributions received do not include interest on the long-term debt and short-term borrowings nor any additional outlay which may result from fluctuations in exchange rates at repayment of debt in foreign currency, which are covered directly by the Special Olympic Fund.

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
at October 31, 1987
(in thousands of dollars)

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3. Main accounting policies (cont'd)

Foreign currency translation

The long-term debt of the Construction Fund includes borrowings which are payable in U.S. dollars. These borrowings are translated into Canadian dollars at the exchange rate in effect on the date the balance sheet was prepared. For subsequent fiscal years, the loss or gain resulting from this translation will increase or reduce the costs to be assumed by the Special Olympic Fund.

Expenditure charged from the Operating Fund

The Régie charges all direct and indirect administrative expenses related to the completion of facilities and to the settlement of pre-Olympic accounts to the Construction Fund.

Claims

The Régie records claims against third parties at the time of settlement.

Commitments

The Régie records the cost of goods and services when the purchase order is issued.

4. Construction cost for facilities

	1987	1986
Olympic Park		
Opening balance	1 068 387	991 420
Cost of completing facilities	30 364	70 394
Financing and issue charges for the long-term debt	851	6 573
Closing balance	1 099 602	1 068 387
Olympic Village		
Opening balance	100 045	103 195
Cost of completing facilities	148	(3 150)
Closing balance	100 193	100 045
	1 199 795	1 168 432

5. Contributions received

	1987	1986
Special Olympic Fund	458 884	388 779
Olympic Games Organizing Committee	191 362	191 362
Ville de Montréal	70 649	70 649
	720 895	650 790

6. Costs to be assumed by the Special Olympic Fund

	1987	1986
Interest accrued on borrowings	15 170	13 323
Exchange loss carried over to the long-term debt in foreign currency	113 811	141 061
	128 981	154 384

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
at October 31, 1987
(in thousands of dollars)

7. Long-term debt

	1987	1986
Notes, bearing interest at the prime rate less 5/8 of 1%, payable semi-annually, maturing June 3, 1990	35 000	60 000
Bonds, bearing interest at the prime rate less 5/8 of 1%, payable semi-annually, maturing July 10, 1990	43 000	50 000
Bonds, bearing interest at the prime rate less 5/8 of 1%, payable quarterly, maturing December 1, 1991	50 000	50 000
Notes in the amount of $250 000 000 in U.S. currency, bearing interest at the London market Eurodollar interbank rate, payable quarterly, maturing November 1994	328 875	347 700
Notes in the amount of $40 000 000 in U.S. currency, bearing interest at 7.9866%, payable annually, maturing February 21, 1994	52 620	55 632
Bonds of C$100 000 000, bearing interest at a rate of 9.6%, payable semi-annually, maturing November 17, 1993 (a)	94 716	
Notes in the amount of $70 000 000 in U.S. currency, bearing interest at an annual rate of ¼ of 1% above the London market interbank rate		97 356
	604 211	660 688

All notes and bonds are guaranteed by the gouvernement du Québec.

The annual instalments on the principal of the long-term debt for the next five years are $78 000 000 for 1990 and $50 000 000 for 1992.

a) These bonds worth C$100 000 000 are the subject of a currency swap contract. When the borrowing was contracted, the Régie and a bank agreed to swap C$100 000 000 for US$72 000 000. The borrowing was used primarily to refinance notes worth US$70 000 000.

Under the swap contract, the Régie is to make semi-annual instalments to the bank on the interest accrued on a principal of US$72 000 000 at a rate of 7.81%. The bank is to pay the Régie accrued interest on C$100 000 000 at a rate of 9.6%. Subsequently, the Régie will reimburse the bonds worth C$100 000 000.

Upon maturity of the contract and the borrowing, the Régie will reimburse the bank US$70 000 000, the bank will reimburse the Régie an amount of C$100 000 000 and the Régie will reimburse the bonds worth C$100 000 000.

Consequently, this borrowing is translated into Canadian currency at the exchange rate in effect on the date of the balance sheet.

8. Contingent liabilities

Lawsuits and claims have been filed both by and against the Régie. At October 31, 1987, unsettled lawsuits and claims against the Régie totalled approximately $3 000 000 ($29 000 000 in 1986). In addition, during the year a decision was rendered in favour of the Régie, with no disbursement, with regard to a lawsuit in the amount of $24 000 000. The decision has, however, been appeal.

After study, an assessment leads us to believe that the current provision of $618 000, shown under "Accounts and commitments payable" is sufficient to cover all outstanding files. Any spread between the amount paid and provision will be charged to the cost of Olympic facilities.

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
at October 31, 1987
(in thousands of dollars)

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9. Subsequent event

Since year-end, the Régie has received a claim in the amount of $18 000 000 with respect to the completion of the Olympic Stadium roof. This claim has not yet been documented and will be studied at a later date.

AUDITORS' REPORT

To the Minister responsible for the Régie des installations olympiques

We have examined the balance sheet of the Construction Fund of the Régie des installations olympiques as at October 31, 1987 and the statement of cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Construction Fund of the Régie des installations olympiques as at October 31, 1987 and the change in financial position for the year then ended in accordance with the accounting policies disclosed in Note 3, applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Montréal, December 16, 1987

RÉGIE DES RENTES DU QUÉBEC

R.S.Q., c.R-9, R-17, and A-17

CHANGE IN THE QUÉBEC PENSION PLAN ACCOUNT

for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
REVENUE		
Contributions to the Plan	1 803 706	1 598 724
Investment income - net (Note 7)	1 355 475	1 428 842
Other	1 534	684
	3 160 715	3 028 250
BENEFITS PAID TO PARTICIPANTS		
Retirement pensions	1 483 769	1 292 164
Surviving spouses' pensions	561 461	510 596
Orphans' pensions	14 120	14 503
Disability pensions	297 126	274 447
Pensions to disabled contributors' children	5 428	5 622
Death benefits	46 828	41 349
	2 408 732	2 138 681
REPAYMENT OF SOCIAL AID BENEFITS TO THE MINISTÈRE DE LA MAIN-D'OEUVRE ET DE LA SÉCURITÉ DU REVENU	7 938	8 251
	2 416 670	2 146 932
ADMINISTRATIVE EXPENSES (Note 8)	62 514	59 187
	2 479 184	2 206 119
INCREASE FOR THE FISCAL YEAR	681 531	822 131
PLAN ACCOUNT -- OPENING BALANCE	12 395 849	11 573 718
PLAN ACCOUNT -- CLOSING BALANCE	13 077 380	12 395 849

ADMINISTRATION OF INCOME SECURITY PROGRAMS

for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
ADMINISTRATION OF SUPPLEMENTAL PENSION PLANS		
Registration fee income	1 376	1 382
Administrative expenses (Note 8)	2 667	2 919
Surplus expenditure over revenue assumed by the gouvernement du Québec	1 291	1 537
ADMINISTRATION OF QUÉBEC FAMILY ALLOWANCE BENEFITS		
Administrative expenses assumed by the gouvernement du Québec (Note 8)	5 958	5 415

RÉGIE DES RENTES DU QUÉBEC

QUÉBEC PENSION PLAN ACCOUNT
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
Deposits in the General Fund of the Caisse de dépôt et placement du Québec		
Participation deposits (Note 3)	13 127 094	12 093 873
Revenue receivable	117 095	345 885
	13 244 189	12 439 758
Contributions receivable from the ministère du Revenu	9 268	32 736
Accounts receivable	2 646	2 477
Fixed assets (Note 4)	3 932	5 202
Development of computer systems (Note 5)	5 413	3 849
	13 265 448	12 484 022
LIABILITIES		
Outstanding cheques less cash	31 240	45 093
Bank loan	89 005	33 613
Advances from the Caisse de dépôt et placement du Québec	50 000	
Accounts payable	17 823	9 467
	188 068	88 173
PLAN ACCOUNT BALANCE (Note 6)	13 077 380	12 395 849

On behalf of the Board of Directors,

Claude Legault
Stephen Jarislowsky

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and mandate

The Régie was incorporated in July 1965 by the Act respecting the Québec Pension Plan (R.S.Q., c. R-9 and amendments).

The Régie is charged with administering the Act as well as the Act respecting Supplemental Pension Plans. It is also responsible for administering the Family Allowances Act.

The Québec Pension Plan provides workers and their dependents with basic protection against loss of income as a result of retirement, disability or death.

Under the Act respecting Supplemental Pension Plans (R.S.Q., chapter R-17 and amendments), the Régie is responsible for setting up standards for the administration, solvency and investments of supplemental pension plans, establishing provisions to protect workers' rights, supervising plans, ensuring they comply with prescribed standards, and promoting the establishment of supplemental pension plans and improvements to existing plans.

Under the Family Allowances Act (R.S.Q., chapter A-17), the Regie is also responsible for administering the program designed to compensate for part of a family's expenses through the payment of allowances.

2. Accounting policies

Accounting method

The Régie's financial statements have been prepared by management using a method combining features of the accrual and cash accounting methods in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Deposits to the General Fund of the Caisse de dépôt et placement du Québec

Participation deposits are recorded at acquisition cost. Income from participation deposits, including gains or losses on disposal of investments, is attributed by the Caisse de dépôt and recorded when earned.

Fixed assets

Effective April 1, 1985, fixed assets are shown at acquisition cost and depreciated over their estimated service life using the straight-line method at the following rates:

Communications equipment	25 %
Office furniture and equipment	20 %
Computer hardware and software	20 %
Computer	33 1/3 %
Office machines	33 1/3 %
Vehicles	33 1/3 %

Leasehold improvements are depreciated over the remaining term of the lease.

Development of computer systems

Beginning April 1, 1985, systems development costs are capitalized and amortized using the straight-line method at a rate of 20%.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

2. Accounting policies (cont'd)

QPP contributions

Revenue from QPP contributions is comprised of contributions, interest and penalties attributed during the year to the Régie by the ministère du Revenu.

Such revenue is attributed to the Régie by the Department on a provisional basis and is subject to audit and correction. Any such correction is carried to QPP contribution revenue for the fiscal year in which it is determined.

Pensions and benefits

These are recorded upon payment.

Administrative expenses

These expenses are recorded using the accrual method.

Registration Fees - Supplemental Pension Plans

Income from fees and fines is recorded when collected.

3. Participation deposits

Participation deposits in the general fund of the Caisse de dépôt et placement du Québec are expressed in units and each unit entitles the holder to participate in proportion to the general fund's net equity and revenue. Units may be redeemed on advance notice, in accordance with Caisse de dépôt regulations, at the realization value of the general fund's net equity at the close of each month.

	1988	1987
Number of units	16 787 678	15 579 628
Acquisition cost of units	$13 127 094 178	$12 093 872 928
Realization value per unit	$830.98	$906.10
Realization value of units	$13 950 224 664	$14 116 770 931
Percentage of units held in the general fund	76.8%	77.8%

4. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Communication equipment	$273 445	$193 940	$79 505	$147 866
Office equipment and furniture	1 101 261	524 296	576 965	685 691
Computer hardware and software	4 726 864	2 345 754	2 381 110	3 217 197
Office machines	1 723 007	1 134 348	588 659	646 163
Leasehold improvements	944 191	648 844	295 347	464 719
Vehicles	38 373	27 475	10 898	40 741
	$8 807 141	$4 874 657	$3 932 484	$5 202 377

5. Development of computer systems

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Development of computer systems	$8 618 601	$3 206 003	$5 412 598	$3 848 688

6. Québec Pension Plan account balance

The balance of the Québec Pension Plan account represents the funds available at March 31, 1988 to pay pensions and benefits and repay social aid benefits to the ministère de la Main-d'oeuvre et de la Sécurité du revenu. It does not cover the present value of the Plan's accumulated obligations to date.

Between 1966 and 1986, the contribution rate was set at 3.6% of contributable earnings. In 1987, it rose to 3.8% and in 1988, to 4.0%. These rates have been more than sufficient to cover benefits paid and administrative expenses during the Plan's existence, and have led to a net asset accumulation of $13.1 billion at March 31, 1988.

The current provisions of the Act respecting the Québec Pension Plan stipulate that the premium rates for 1989, 1990 and 1991 will be 4.2%, 4.4% and 4.6%. According to the most recent regular actuarial analysis performed on December 31, 1986, if the premium rate for 1991 is not raised again in 1992, the funds accumulated since 1966 would have to be gradually liquidated beginning in 1993 until their exhaustion in 2002.

Under the provisions of the Act respecting the Québec Pension Plan, an actuarial analysis should be available on December 31, 1989. This analysis will be tabled before the National Assembly and will be used to review the premium rates applicable beginning in 1992.

7. Investment income - net

	1988	1987
Caisse de dépôt et placement du Québec		
Participation deposits		
Investment income	$1 127 615 484	$1 101 561 472
Gains and losses on the sale of investments	221 896 043	321 540 960
	1 349 511 527	1 423 102 432
Demand deposits	5 472 321	2 880 205
Term deposits	1 264 948	3 332 647
	1 356 248 796	1 429 315 284
Interest on bank deposits	211 321	173 363
Interest on bank loan	(354 552)	(646 080)
Interest on advances from the Caisse de dépôt et placement du Québec	(630 479)	
	$1 355 475 086	$1 428 842 567

8. Administrative expenses

	1988	1987
Wages, salaries and fringe benefits	$26 460 969	$25 067 930
Transportation and communication	7 990 628	7 175 760
Professional services	2 748 744	2 632 755
Maintenance and repairs	778 437	670 511
Rent	2 583 727	3 050 630
Supplies	1 108 368	1 176 042
Material and equipment	48 604	68 283
Bank charges	402 416	418 663
Other	139 473	74 319
Charges for collection of contributions by the ministère du Revenu	24 728 132	23 883 235
Bad debts	246 342	96 682
Depreciation of fixed assets and development of computer systems	3 902 942	3 206 721
	71 138 782	67 521 531
Less: Expenses attributed to the administration for income security programs		
Supplementary Pension Plans	2 666 583	2 919 453
Québec Family Allowance benefits	5 958 334	5 415 036
	8 624 917	8 334 489
Administrative expenses of the Québec Pension Plan	$62 513 865	$59 187 042

9. Pension plans

Régie employees are members of the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan. Effective July 1, 1982, the cost of these plans is shared equally between the employees and employers. The plans are of the defined benefit type and guarantee pension and death benefits. Régie contributions charged to operating results for the year total $791 518 (1987: $657 370) for the Government and Public Employees Retirement Plan and $338 022 (1987: $318 599) for the Civil Service Superannuation Plan. The Régie's obligations toward these Government plans are limited to its contributions for current services as an employer.

RÉGIE DES RENTES DU QUÉBEC

AUDITOR'S REPORT

I have examined the Québec Pension Plan account as at March 31, 1988 and the statements of its change and administration of its income security programs for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the Québec Pension Plan account at March 31, 1988 and its operations and the change in the account, as well the operations in the administration of its income security programs for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 17, 1988

SIDBEC
R.S.Q., c. E-14

STATEMENT OF CONSOLIDATED OPERATING RESULTS
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
NET SALES	569 529	519 629
EXPENDITURE		
Cost of goods sold, excluding any depreciation	492 979	445 441
Sales and administrative expenses	14 384	13 681
Interest on long-term liability (Note 9)	19 461	19 120
Other interest	7 657	10 100
Depreciation on fixed assets	26 355	24 749
	560 836	513 091
	8 693	6 538
Share of net earnings of limited partnership	213	
EARNINGS IN CONTINUING ACTIVITIES SECTOR BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	8 906	6 538
Income taxes	359	263
	8 547	6 275
EXTRAORDINARY ITEM		
Tax shield resulting from a loss carry-over	359	263
NET EARNINGS IN THE CONTINUING ACTIVITIES SECTOR	8 906	6 538
TERMINATED ACTIVITIES		
Loss excluding the share of net earnings of joint venture	(1 109)	(450)
Share of (net loss) net earnings of joint venture	(223)	433
NET LOSS IN TERMINATED ACTIVITIES SECTOR	(1 332)	(17)
NET EARNINGS	7 574	6 521

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
OPENING BALANCE		
Contributed by the gouvernement du Québec for terminated mining activities	20 000	44 328
	20 000	44 328
Transfer to deficit (Note 11)	(20 000)	(44 328)
CLOSING BALANCE		

CONSOLIDATED STATEMENT OF DEFICIT OF CONTINUING ACTIVITIES SECTOR
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
OPENING BALANCE	283 285	289 823
Net profit	8 906	6 538
CLOSING BALANCE	274 379	283 285

CONSOLIDATED STATEMENT OF DEFICIT OF TERMINATED ACTIVITIES SECTOR
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
OPENING BALANCE	505 018	549 329
Net loss including share of joint venture	1 332	17
	506 350	549 346
Transfer to the contributed surplus (Note 11)	(20 000)	(44 328)
CLOSING BALANCE	486 350	505 018

SIDBEC

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION (Note 12)
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
OPERATIONS		
Earnings before extraordinary item in the continuing activities sector	8 547	6 275
Items not affecting funds:		
Profit on disposal of fixed assets	(502)	
Depreciation of fixed assets	26 355	24 749
Share of profit of limited partnership	(213)	
Net change in other non-funds items	23 641	10 650
	57 828	41 674
Extraordinary item	359	263
	58 187	41 937
FINANCING		
Long-term debt		28 000
Owed to shareholder	6 594	6 587
Payment on long-term liabilities	(10 242)	(33 851)
	(3 648)	736
INVESTMENT		
Acquisition of fixed assets	(24 188)	(31 542)
Investment in limited partnership	(2 064)	
Change in other assets	(780)	(632)
Proceeds from the disposal of fixed assets	800	51
	(26 232)	(32 123)
DECREASE IN OVERDRAFT AND BANK LOANS	(28 307)	(10 550)
OPENING OVERDRAFT AND BANK LOANS	94 670	105 220
CLOSING OVERDRAFT AND BANK LOANS	66 363	94 670

CONSOLIDATED BALANCE SHEET
as at December 31
(in thousands of dollars)

	1987	1986
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 7)	70 477	71 066
Inventories (notes 2 and 7)	149 463	152 804
Prepaid expenses	772	717
	220 712	224 587
SUBSIDIES RECEIVABLE (Note 3)	51 456	47 906
INVESTMENTS		
Joint venture (Note 4)	10 716	10 939
Limited partnership (Note 5)	2 277	
	12 993	10 939
FIXED ASSETS (Note 6)		
Cost	554 736	531 954
Accumulated depreciation	288 068	262 821
	266 668	269 133
OTHER ASSETS	2 806	2 092
	554 635	554 657

On behalf of the Board of Directors,

John LeBoutillier, Director
Robert Després, Director

	1987	1986
LIABILITIES		
CURRENT LIABILITIES		
Overdraft and bank loans (Note 7)	66 363	94 670
Accounts payable and accrued expenses	89 212	68 973
Owed the joint venture	491	
Short-term instalments due on long-term liabilities (notes 8 and 9)	10 020	10 327
	166 086	173 970
LONG-TERM DEBT (Note 8)	27 945	29 130
DEBT GUARANTEED BY SHAREHOLDER (Note 9)	484 294	509 415
OWED TO SHAREHOLDER (Note 10)	72 705	66 111
DEFICIENCY IN ASSETS		
CAPITAL STOCK		
Authorized:		
56 500 000 deferred dividend shares, par value of $10		
56 500 000 common shares, par value of $10		
Issued and fully paid:		
56 433 435 deferred dividend shares	564 334	564 334
DEFICIT OF CONTINUING ACTIVITIES SECTOR	(274 379)	(283 285)
	289 955	281 049
DEFICIT OF TERMINATED ACTIVITIES SECTOR	(486 350)	(505 018)
	(196 395)	(223 969)
	554 635	554 657

NOTES TO FINANCIAL STATEMENTS
for the fiscal year ended December 31, 1987

Legal status and scope of activity

The company is incorporated under the Québec Companies Act and certain aspects of its operations are governed by a special Act of the Province of Québec. Sidbec operates steel-making facilities.

Main aAccounting policies

Consolidation

The consolidated financial statements include the company's accounts and those of all its subsidiaries.

Inventories

Semi-processed and finished goods are valued at the lesser of cost or net realization value. Cost is determined using the average cost method.

Raw materials are valued at the lesser of cost, replacement cost, or net realization value. Cost is determined using the FIFO method.

Supplies are valued at the lesser of cost or replacement cost. Cost is determined using the average cost method.

Investments

Investments are recorded at equity value.

Fixed assets

Fixed assets are shown at original cost and depreciated over their estimated service life using the straight-line method, at the following annual rates:

Site development	4%
Buildings	2½% to 7%
Equipment and machinery	4% to 20%
Rolling stock	4% to 25%
Furniture and fixtures	7% to 10%
Other	5% to 8%

Pension plans

The costs of pension plans are determined periodically by independent actuaries. Pension costs are determined according to assumptions issued by management and charged to yearly operations. They include the following items:

-- the cost of pension benefits granted in exchange for services rendered during the year, calculated in proportion to years of service; and

-- the amortization, using the annuity method over the estimated average length of the rest of an employee's active career, a) of adjustments resulting from changes to plans and assumptions, b) actuarial gains and losses and c) the deficit of fixed plans upon incorporation adoption of new recommendations by the Canadian Institute of Chartered Accountants.

The cumulative spread between the amounts entered as pension costs and the premiums paid to the pension fund is shown in "Other assets".

Main accounting policies (cont'd)

Translation of foreign currency

Accounts in foreign currency are translated into Canadian dollars using the temporal method, as follows:

- Monetary asset and liability items are translated at rates of exchange in effect on the date of the balance sheet.
- Non-monetary asset and liability items are translated at historical rates. Revenue and expenditure are translated at the rates in effect on the transaction date , except depreciation, which is transloted at historical rates.
- Profits or losses resulting from changes in exchange rates are carried to the statement of operating results when realized, except for unrealized profits or losses relative to the long-term debt, which are deferred and amortized using the straight-line method over the remaining term of the debt.

Leases

Long-term leases for which the company, as the lessee, accepts practically all the advantages and drawbacks inherent in ownership are recorded as fixed assets. The value of the goods and the corresponding commitment arising from these capital lease contracts are recorded at the present value of minimum future rents, using an appropriate discount rate.

1. Change in accounting policy

During the year, SIDBEC incorporated new recommendations by the Canadian Institute of Chartered Accountants as regards pension plan costs and obligations. These recommendations are aimed at an appropriate distribution of the cost of plans over the years during which employee services are rendered. Previously, pension costs represented premiums paid to the pension fund during a given year to cover the financing of the plan and the amortization of the actuarial deficit.
The incorporation of these recommendations engendered a $836 000 increase in net profit compared with the method used in 1986 and the recording of a deferred pension cost of the same amount under "Other assets".

These recommendations have been applied for future years; consequently, no adjustment has been made to the financial statements from previous years.

2. Inventories
(in thousands of dollars)

	1987	1986
Semi-processed and finished goods	88 111	96 079
Raw materials and supplies	61 352	56 725
	149 463	152 804

3. Subsidies receivable
(in thousands of dollars)

Management considers that the gouvernement du Québec has agreed to cover the financing costs incurred during the fiscal year for its terminated activities sector. The Minister of Industry and Commerce has confirmed that he will submit requests for the relevant budgetary appropriations to the Conseil du trésor.

The amount of Government assistance has been shown as a deduction from interest expense relating to the terminated activities sector. The gouvernement du Québec will pay the subsidy when the company makes disbursements for these financing costs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31, 1987

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3. Subsidies receivable (cont'd)

(in thousands of dollars)

Should the Government decide to pay a lesser amount, the reduction in the subsidy would be charged to the results of the terminated activities sector for the then current fiscal year.

Subsidies receivable have been applied against the following items:

	1987	1986
Interest	54 305	37 787
Deferred issue expenses	1 022	1 022
Deferred (gains) losses resulting from fluctuations in exchange rates	(3 871)	9 097
	51 456	47 906

4. Investment in a joint venture

Legal status and scope of activity

The joint venture, Normines Inc., is incorporated under the Québec Companies Act. Its shareholders are Sidbec (50.1% holding), British Steel Corporation (International) Limited (wholly-owned subsidiary of British Steel Corporation) and La Compagnie Minière Québec Cartier (CMQC).

Under the terms of an agreement dated October 1984, the joint venture's mining activities terminated in December 1984. It also closed its mining facilities and leased its facilities at Port-Cartier to CMQC.

Financial statements

The balance sheet of the joint venture are summarized below:

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	Total	Share attributable to the company	
	1987	1987	1986
Assets			
Current assets	2 247	1 123	1 356
Other items	20 566	10 306	10 321
	22 813	11 429	11 677
Liabilities and capital used in the company			
Current liabilities	1 423	713	738
Capital used in the company	21 390	10 716	10 939
	22 813	11 429	11 677

NOTES TO FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31, 1987

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4. Investment in a joint venture (cont'd)

Commitments:

The joint venture has leased the Port-Cartier facilities to the CMQC for a term of 15 years beginning January 1, 1985 at an annual rent of $1 for the first five years, and for a rent proportional to CMQC's revenue from the sale of pellets for the remainder of the lease. The CMQC may, at its sole discretion, terminate the lease after the initial five-year period by giving twelve (12) months advance notice.

The joint venture will return (a) certain amounts it will receive from the gouvernement du Québec to the CMQC and (b) beginning in calendar year 1990, the entire amount of the proportional rent received from CMQC for the Port-Cartier facilities, up to the amounts received in (a), plus accrued interest, to the gouvernement du Québec.

The shareholders have agreed to pay or reimburse the joint venture for certain residual costs and the eventual costs of a permanent shutdown of the pellet plant, including principal and interest payable on bonds.

Contingent liabilities

Merchants in the Ville de Gagnon are claiming amounts from the joint venture in excess of the provision of $165 000 on the books.

In the opinion of the joint-venture's management, the provisions recorded in the books to cover claims filed by merchants in the town of Gagnon are sufficient.

Any additional amount that may be incurred from this situation's outcome will be charged to results of the then current year.

5. Investment in limited partnership

During the year, Sidbec committed itself as limited partner in a limited partnership whose objective is is to operate a contract lamination firm.

During the year, it contributed $2 064 000 in capital in the following form:

Land and buildings	$714 000
Cash	1 350 000
	$2 064 000

6. Fixed assets
(in thousands of dollars)

	1987		1986	
	Cost	Net book value	Cost	Net book value
Land	6 333	6 333	6 394	6 394
Site development	9 267	3 763	8 855	3 624
Buildings	102 924	41 940	101 481	44 348
Equipment and machinery	361 993	158 720	336 661	153 969
Rolling stock	4 999	1 746	3 956	901
Furniture and fixtures	9 308	5 101	7 521	4 199
Other	13 428	4 894	9 221	1 203
Construction in progress	17 354	17 354	26 695	26 695
Balance to be deferred	525 606	239 851	500 784	241 333

NOTES TO FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31, 1987

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6. Fixed assets (cont'd)
(in thousands of dollars)

	1987		1986	
	Cost	Net book value	Cost	Net book value
Deferred balance	525 606	239 851	500 784	241 333
Equipment and machinery rented under capital lease contracts	29 130	26 817	31 170	27 800
	554 736	266 668	531 954	269 133

7. Overdraft and bank loans

The overdraft and bank loans are secured by accounts receivable and inventories.

8. Long-term debt
(in thousands of dollars)

	1987	1986
Subsidiary -- Sidbec-Dosco Inc.:		
Commitments relating to property rented under a capital lease contract, payable in monthly instalments, maturing in the year 2000 and secured by a first claim of $15 000 000 on the Longueuil factory	26 270	27 440
Other debts	2 945	2 204
Subsidiary -- Sidbec-Feruni Inc.:		
Commitments relating to property rented under capital lease contracts whose purchase option was exercised in 1987		1 063
	29 215	30 707
Current payments due	1 270	1 577
	27 945	29 130

Minimum rents payable in coming fiscal years under capital lease contracts will be:

1988	3 382
1989	3 382
1990	3 382
1991	3 382
1992	3 382
1993 to 2000	24 809
Total of minimum future rents	41 719
Interest, at implicit rate of 8.23%, and taxes included in minimum future rent	15 449
	26 270

9. Debt secured by the shareholder
(in thousands of dollars)

	1987	1986
The gouvernement du Québec has guaranteed the principal and payment of interest on the following debts:		
Sinking fund debentures held by the Caisse de dépôt et de placement du Québec:		
9 1/4%, series "A", maturing December 15, 1990	7 750	8 000
8 3/4%, series "B", maturing June 15, 1991	8 000	8 250
9%, series "C", maturing September 1, 1991	8 000	8 250
10 3/4%, series "D", maturing October 1, 1989	10 000	15 000
10 1/4%, series "E", maturing May 15, 1995	26 000	28 000
10 3/4%, series "F", maturing February 16, 1996	29 000	30 000
Bank term loan, at the prime rate, payable in instalments of $20 000 000 on April 26 of each year until 1993 inclusive	120 000	140 000
Interest-free debentures, par value of $174 602 000 (US$134 000 000), maturing May 15, 1988, discounted at 11.08%	168 028	160 812
Bonds at discount:		
At a rate of 7.6%, maturing November 1, 1995, par value of $110 103 500 (US$84 500 000), discounted at 11.042%	90 813	94 621
At a rate of 8.82%, maturing August 30, 1997, par value of $29 411 765, discounted at 11.15%	25 453	25 232
	493 044	518 165
Current payments due	8 750	8 750
	484 294	509 415

The current instalment on the term bank loan and the loan maturing May 15, 1988 are not shown under current liabilities because the company does not expect to repay these loans out of its working capital.

Payments on sinking fund debentures over the next five years, based on maturities and sinking fund requirements, are as follows:

1988	8 750
1989	9 250
1990	9 250
1991	14 500
1992	9 000

NOTES TO FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31, 1987

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9. Debt guaranteed by the shareholder (cont'd)
(in thousands of dollars)

During the fiscal year, the interest charges due on long-term liabilities of the terminated activities sector was reduced by a subsidy of $39 521 000 ($43 651 000 in 1986) from the gouvernement du Québec.

10. Owed to shareholder
(in thousands of dollars)

	1987	1986
Owed to shareholder, at the prime rate, payable in four instalments: $13 306 416 on March 19, 1988, $31 713 399 on June 4, 1988, $7 365 723 on October 15, 1988, and $20 319 105 on March 18, 1989	72 705	66 111

Current payments due have not been shown as a current liability because the Company does not anticipate paying them out of working capital.

11. Transfer of contributed surplus to the deficit

In accordance with Directors' resolutions, ratified by the shareholder, the deficit of the terminated activities sector was reduced by $48 800 000 in 1985, by $44 328 000 in 1986 and by $20 000 000 during the current fiscal year by appropriation of contributed surplus.

12. Consolidated change in financial position
(in thousands of dollars)

The statement of change in financial position includes changes in the continuing activities sector and, consequently, excludes changes in the terminated activities sector, which are as follows:

	1987	1986
Operations		
Net loss for terminated activities sector	(1 332)	(17)
Items not affecting funds:		
Share in net loss of joint venture	223	(433)
Net change in other non-funds items	1 030	(8 196)
	(79)	(8 646)
Financing		
Subsidies receivable	(3 550)	(14 254)
Long-term borrowings	3 629	14 272
Owed to shareholder		(15 700)
Payment on long-term debt	(20 000)	(20 000)
Contributed surplus	20 000	44 328
	79	8 646
Change in liquid assets		

NOTES TO FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31, 1987

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13. Pension plans

(in thousands of dollars)

An actuarial valuation was performed to determine the present value of constituted pension benefits. At December 31, 1987, the pension plans showed a deficit as follows:

	1987
Pension fund assets	87 887
Present value of pension funds	(105 021)
Deficit	(17 134)

For the fiscal year ended December 31, 1987, pension costs total $3 766 000.

14. Income tax

Sidbec and its subsidiary Sidbec-Dosco Inc. are exempt from both federal and provincial income tax. At December 31, 1987, Sidbec-Dosco Inc. had cumulated temporary variances amounting to $390 000 000 in Ontario for which it did not record any deferred tax credit. In addition, losses of $57 000 000 may be applied against taxable income for future fiscal years in the province of Ontario. These losses will expire over the following fiscal years:

1990	$21 500 000
1991	$28 000 000
1992	$7 500 000

15. Commitments

Commitments by the Company and its subsidiaries concerning construction projects and the acquisition of machinery and equipment total approximately $27 500 000.

14. Results for the previous year

Certain corresponding figures from the previous fiscal year have been reclassified for consistency with the presentation adopted in 1987.

AUDITORS' REPORT

To the shareholder
Sidbec

We have examined the consolidated balance sheet of Sidbec as at December 31, 1987 and the consolidated statements of operating results, contributed surplus, deficit of the continuing and terminated activities sectors and change in financial position for the year then ended. We obtained all the information and explanations requested. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, based on the information and explanations provided and as shown on the Company's books, these financial statements present fairly the financial position of the Company at December 31, 1987, as well as the results of its operations and the change in its financial position for the year then ended, in accordance with generally accepted accounting principles and, except for the change in the method of recording pension plan costs mentioned in Note 1, these principles have been applied on a basis consistent with that of the preceding year.

Poissant Richard
Chartered Accountants

Montréal, February 3, 1988

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS
R.S.Q., c. C-37.1
BUDGETARY ADMINISTRATION FUND

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Subsidy from the ministère des Affaires municipales	$3 693 700	$4 615 700
Tourist and recreational centres	1 057 176	1 348 818
Gatineau airport	249 528	231 211
Rental properties	122 752	121 959
Land sales and ground rent	270 305	481 867
Interest	137 971	164 485
Proceeds from the sale of the Maison Hammond and warehouse		900 000
Proceeds from the sale of vehicles and equipment		47 597
Proceeds from insurance	15 238	2 000
Participation in regional activities	25 349	
Other	47 462	
Cancellation of commitments from previous years		
-- administration fund	264 901	97 434
-- capital assets fund	80 475	82 566
Transfer of surplus funds from the proceeds from the disposal of fixed assets	903 671	
Surplus financing over spending on fixed assets during the previous fiscal years	84 073	
Exhaustion of insurance reserve	76 022	
Non-participation in the Société's employee pension plan (Note 4)	270 924	177 445
	7 299 547	8 271 082
EXPENDITURE		
Wages, salaries and fringe benefits	1 959 530	2 620 571
Transportation and communications	269 879	310 089
Professional and administrative services	285 122	262 202
Maintenance and repairs	16 592	15 551
Bad debts	11 711	21 156
Rental charges	90 545	180 478
Supplies	44 687	97 844
Capital expenditure from revenue		
Administration	309 317	64 580
Expropriation indemnity	116 084	647 696
Provision for future local improvement taxes	70 420	63 150
Provisional funds for the acquisition and development of industrial property	1 773	
Contribution to the fund for proceeds from the disposal of fixed assets		900 000
Tourist and recreational centres	2 161 818	2 657 442
Gatineau airport	944 556	933 892
Rental properties	101 326	121 649
	6 383 360	8 896 300
SURPLUS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	$916 187	$(625 218)

Notes to financial statements are an integral part of these statements.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

BUDGETARY ADMINISTRATION FUND

SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
Opening deficit	$(647 696)	$(22 478)
Surplus revenue over expenditure (expenditure over revenue)	916 187	(625 218)
Closing surplus (deficit)	$268 491	$(647 696)

Notes to financial statements are an integral part of these statements.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

BUDGETARY ADMINISTRATION FUND

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$743 214	$2 173 111
Accounts receivable (Note 5)	364 233	360 643
Inventories	41 665	118 100
Prepaid expenses	214 940	157 550
Proceeds receivable from the sale of land (Note 6)	43 038	43 038
	$1 407 090	$2 852 442
LIABILITIES AND SURPLUS		
Accounts payable and accrued expenses	$177 420	$140 997
Salaries and fringe benefits	157 652	518 800
Employer contributions payable to employees' pension plan	105 312	69 851
Severance pay payable to employees' pension plan		201 074
Commitments	259 490	480 372
Expropriation indemnity payable	198 109	530 094
Deposits on sales of fixed assets	37 209	263 026
Revenue received in advance		46 331
Owed the capital assets fund	102 524	204 290
Owed the fund for proceeds from the disposal of fixed assets		903 671
Provision for future local improvement taxes (Note 7)	99 110	65 610
Provision for acquisition and development of property	1 773	
Reserves for insurance claims		76 022
	1 138 599	3 500 138
SURPLUS (DEFICIT)	268 491	(647 696)
	$1 407 090	$2 852 442

Notes to financial statements are an integral part of these statements.

On behalf of the Board of Directors,

Jean-Marie Séguin, Chairman and Chief Executive Officer
Guy Gagnon, General Secretary

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

CAPITAL ASSETS FUND

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
SOURCE OF FUNDS		
Subsidy from the ministère des Affaires municipales for capital spending		$278 000
Capital spending from revenue		
Expropriation indemnities	$116 084	647 696
Administration	309 317	64 580
Tourist and recreational centres	744	4 596
Rental properties		12 421
Owed to the Ville de Hull, Parc technologique des Hautes Plaines (Note 8)	209 995	2 040 527
	636 140	3 047 820
APPLICATION OF FUNDS		
Capital spending		
Facilities, industrial and commercial equipment	627 661	2 315 752
Tourist and recreational facilities	116 828	53 153
Other		7 417
Expropriation indemnities taken over by the budgetary administration fund		585 522
Transfer of surplus from previous years to the budgetary administration fund	84 073	
	828 562	2 961 844
INCREASE (DECREASE) IN FUNDS	(192 422)	85 976
OPENING FUNDS (NEGATIVE FUNDS)	84 073	(1 903)
CLOSING FUND (NEGATIVE FUNDS)	($108 349)	$84 073
FUND RECONCILIATION (Note 9)	($108 349)	$84 073

Notes to financial statements are an integral part of these statements.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

CAPITAL ASSETS FUND

PERMANENT CAPITAL
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$48 522 770	$49 580 039
Add:		
Subsidy from the ministère des Affaires municipales for capital spending		278 000
Capital spending from revenue		
Expropriation indemnities	116 084	647 696
Administration	309 317	64 580
Tourist and recreational centres	744	4 596
Rental properties		12 421
	426 145	1 007 293
Less:		
Cost of land sold	170 892	385 652
Cost and proceeds of insurance and other assets sold or destroyed	137 439	1 010 822
Cancellation of commitments from previous years transferred to budgetary administration fund	80 475	82 566
Cancellation of previous years' commitments regarding the acquisition of fixed assets from revenue	153 055	
Expropriation indemnities receivable at March 31, 1986 taken over by the budgetary administration fund		585 522
Surplus financing over expenditure for fixed assets during previous fiscal years	84 073	
	625 934	2 064 562
CLOSING BALANCE	$48 322 981	$48 522 770

Notes to financial statements are an integral part of these statements.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

CAPITAL ASSETS FUND

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Fixed assets, at cost (Note 10)	$50 681 852	$50 479 224
Advance to the budgetary administration fund	102 524	204 290
Prepaid taxes		66 537
Accounts receivable from the Ville de Hull	28 863	26 788
Cash	621	2 266
	$50 813 860	$50 779 105
LIABILITIES AND PERMANENT CAPITAL		
Owed the Ville de Hull, Parc technologique des Hautes Plaines (Note 8)		
First mortgage loan	$1 230 535	
Owed	1 019 987	$2 040 527
	2 250 522	2 040 527
Expropriation indemnity payable (Note 8)	103 349	
Commitments		80 475
Deferred subsidy, Office de planification et de développement du Québec	132 008	132 008
Accounts payable, holdbacks on contracts and refundable deposit		3 325
	2 490 879	2 256 335
Permanent capital	48 322 981	48 522 770
	$50 813 860	$50 779 105

Notes to financial statements are an integral part of these statements.

On behalf of the Board of Directors,

Jean-Marie Séguin, Chairman and Chief Executive Officer
Guy Gagnon, General Secretary

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

FUND FOR PROCEEDS FROM THE DISPOSAL OF FIXED ASSETS

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Advances to the budgetary administration fund		$903 671
SURPLUS		
Opening balance	$903 671	
Contribution from the budgetary administration fund		$900 000
Interest		3 671
	903 671	903 671
Transfer to the budgetary administration fund	(903 671)	
Closing balance		$903 671

Notes to financial statements are an integral part of these statements.

On behalf of the Board of Directors,

Jean-Marie Séguin, Chairman and Chief Executive Officer
Guy Gagnon, General Secretary

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Legal status and scope of activity

The Société was incorporated under the Act respecting the Communauté régionale de l'Outaouais with the goal of promoting economic development in the region and implementing projects for industrial, commercial, recreational and tourist facilities.

2. Change in accounting practices

During the year, the Société adopted the accounting practice of entering under commitments only those amounts relating to specific projects for which there has been a firm purchase order made for goods or services from a third party.

3. Accounting policies

Inventories

Inventories are assessed at the lesser of cost and net realization value; cost is calculated using the FIFO method.

Depreciation

No depreciation reflecting wear or obsolescence of fixed assets has been recorded.

Commitments

The Société records all commitments to suppliers in the form of firm orders for goods and services for specific projects.

Deferred subsidy, Office de planification et de développement du Québec

The subsidy is recorded under permanent capital as capital expenditures are made from it.

Revenue and expenditure

Revenue and expenditure are recorded on the accrual basis.

4. Non-participation in the pension plan for Société employees

In accordance with the regulations of the pension plan and as a result of an actuarial surplus, the Société withheld contributions to the plan in the amount of $270 924 during the fiscal year ($177 445 in 1987). Expenditure for the year for the pension plan amounts to $105 312 ($140 987 in 1987) and is included in the item "Wages, salaries and fringe benefits".

5. Accounts receivable

	1988	1987
Ministère des Transports, sale of lands	$300 686	$286 276
Shell Canada	20 331	25 855
Gatineau airport	3 553	1 278
Rent	9 450	14 652
Other	15 233	32 582
Advance to the Société's pension plan	14 980	
	$364 233	$360 643

6. Proceeds receivable from the sale of land

This account receivable results from the sale of land to the Aéroparc industriel de Gatineau and is collectable in three equal, interest-free instalments payable December 1990, 1991 and 1992.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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7. Provision for future local improvement taxes

The Société has agreed to pay local improvement taxes on land sold in the Aéroparc industriel de Gatineau until their expiry date in 1996. To fulfill this commitment, the Société has designated part of the price of the land to pay for future local improvement taxes. A liability is recorded in the balance sheet corresponding to the amounts thereby accumulated.

8. Parc technologique des Hautes Plaines

Under a 1987 draft agreement with the Ville de Hull and as authorized by the gouvernement du Québec, the Société went ahead with purchases of land necessary to create an industrial park for non-polluting industries in the Hautes Plaines sector in Hull.

Under this agreement, all purchase costs and expenditures incurred relating to management of the land paid by the Société will be reimbursed by the Ville de Hull. In view of the amounts for which the Ville de Hull has assumed responsibility, the Société gave the Ville de Hull a first mortgage on June 11, 1987 on two of three properties acquired during the year for a total of $1 230 535 plus interest at 10.5% calculated from March 6, 1987. As these pieces of land are sold off, the Société will pay the Ville the amounts collected, thus reducing the mortgage loan receivable.

Further, following a decision by the expropriation court dated May 18, 1988, an amount of $108 349 (including interest and professional fees) has been entered as final compensation for expropriation to be paid March 31, 1988.

Transactions during the fiscal year relating to the Parc technologique des Hautes Plaines are as follows:

	1988	1987
Acquisition costs paid by the Société		$1 935 095
Expropriation compensation payable	108 349 $	
Professional fees, taxes and other current expenditures related to management of the land, paid by the Société	80 789	58 896
Interest	129 206	46 536
Total expenditure for the year	318 344	2 040 527
Cost of property acquired at the beginning of the year	2 040 527	
Cost of property acquired at year-end	$2 358 871	$2 040 527
Mortgage loan, Ville de Hull	$1 230 535	
Owed the Ville de Hull	991 124	$2 013 739
Expropriation compensation payable	108 349	
	2 330 008	2 013 739
Surplus of amounts paid by the Société over amounts reimbursed by the Ville de Hull	28 863	26 788
	$2 358 871	$2 040 527

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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9. Reconciliation of Funds

	1988	1987
Advances to the budgetary administration fund	$102 524	$204 290
Prepaid taxes		66 537
Accounts receivable from the Ville de Hull	28 863	26 788
Cash	621	2 266
	132 008	299 881
Expropriation indemnities payable	108 349	
Commitments		80 475
Deferred subsidy, Office de planification et de développement du Québec	132 008	132 008
Accounts payable, holdbacks on contracts and refundable deposit		3 325
	240 357	215 808
Closing funds (negative funds)	($108 349)	$84 073

10. Fixed assets

	1988	1987
Infrastructure, industrial and commercial equipment:		
Parc du Pontiac	$761 963	$778 055
Aéroparc industriel de Gatineau	5 066 791	4 918 341
Aéroport régional de Gatineau	9 219 985	9 219 985
Mini-parc urbain de Hull	100 609	187 218
Property, 82 Front Street	824 500	824 500
Parc technologique des Hautes Plaines	2 358 871	2 040 527
	18 332 719	17 968 626
Tourist and recreational facilities		
Marina du Lac Deschênes	3 074 050	2 956 000
Auberge Symmes	1 058 463	1 059 248
Parc du Lac Lemay	1 778 773	1 818 773
Parc du Lac Beauchamp	2 508 202	2 508 341
Haute-Gatineau tourist centre	1 278 478	1 342 182
Lac Leslie tourist centre	2 053 232	2 053 232
Lac de l'Argile tourist centre	5 907 954	5 907 954
Lac Simon tourist centre	3 789 955	3 790 433
Petite Rouge tourist centre	1 307 291	1 307 291
Lac Gagnon site	1 363 943	1 366 482
Meech Valley site	7 467 548	7 466 975
Frayère Pelissier	70 423	70 423
	31 658 312	31 647 334
Other		
Furniture and equipment	498 630	601 327
Vehicles	192 191	261 937
	690 821	863 264
	$50 681 852	$50 479 224

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

11. Contingent liabilities

At March 31, 1988, a number of expropriation suits filed with the expropriation court remained unsettled. Claims of the expropriated parties including supplementary indemnities (and interest at prescribed rates) total $139 736. Any expenditure resulting from the final settlement of these cases will be charged to expenditure for the fiscal year during which such expenditure was incurred.

As well, the Société has been served notice to pay a total of $190 000 in relation to the dismissal of two of its employees. At the moment, management is unable to predict the outcome of this case.

12. Subsequent events

Transfer of tourist parks and centres:
Tourist parks and centres were closed on January 2, 1988. The Société is currently negotiating the transfer of rural centres (Lac de l'Argile, Lac Simon, Lac Leslie, Haute-Gatineau, Petite-Rouge and the Lac Gagnon site) to the Société des établissements de plein air du Québec (SÉPAQ) and urban parks (Lac Leamy park in Hull, Lac Beauchamp in Gatineau and the Lac Deschênes marina in Aylmer) to the municipalities involved. In June 1988, with the exception of Lac Leamy park, leases had been signed with the above-mentioned parties to rent the centres and their facilities on a monthly basis for a nominal fee of $1 until the required legal arrangements have been made to sell them for the nominal fee of $1.

Blue collar workers union:
Following the closing of the parks and centres on January 2, 1988, the blue collar workers union filed lawsuits on the same date regarding the dismissal of blue collar workers. In June 1988, the Société d'aménagement de l'Outaouais and the union reached an out-of-court settlement for the payment of $75 000. This amount will be charged to expenditure for the year ended March 31, 1989.

13. Figures from preceding year

Certain figures from the previous fiscal year have been reclassified for consistency with the presentation adopted in 1988.

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

ADDITIONAL INFORMATION
for the fiscal year ended March 31, 1988

	1988	1987
TOURIST AND RECREATIONAL CENTRES		
EXPENDITURE		
Wages, salaries and fringe benefits	$1 252 608	$1 653 452
Transportation and communications	33 740	32 751
Professional and administrative expenses	366 443	370 532
Maintenance and repairs	93 330	97 185
Rent	6 420	11 734
Supplies	408 533	487 192
Fixed assets from revenue	744	4 596
	$2 161 818	$2 657 442

	1988	1987
GATINEAU AIRPORT		
EXPENDITURE		
Wages, salaries and fringe benefits	$256 233	$242 030
Transportation and communications	13 279	7 609
Professional and administrative expenses	183 029	185 447
Maintenance and repairs	235 563	280 638
Rent	2 510	1 377
Supplies	253 942	216 791
	$944 556	$933 892

	1988	1987
RENTED PROPERTY		
EXPENDITURE		
Professional and administrative expenses	$73 882	$87 436
Maintenance and repairs	17 514	19 972
Furnishings and supplies	9 930	1 820
Fixed assets from revenue		12 421
	$101 326	$121 649

SOCIÉTÉ D'AMÉNAGEMENT DE L'OUTAOUAIS

AUDITORS' REPORT

To the Minister of Municipal Affairs:

We have examined the balance sheets of the budgetary administration fund, the capital assets fund and the fund for proceeds from the disposal of fixed assets of the Société d'aménagement de l'Outaouais as at March 31, 1988 and the statements of revenue and expenditure, surplus for the budgetary administration fund, permanent capital and change in financial position for the capital assets fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Société at March 31, 1988, as well as the results of its operations and change in financial position for the year then ended, in accordance with the accounting policies described in Note 3 and, except for the change in the method of recording commitments mentioned in Note 2, these accounting policies have been applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Ville de Hull, June 15, 1988

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES
R.S.Q., c. D-8

OPERATING RESULTS
for the fiscal year ended December 31, 1987

	1987	1986
REVENUE	$1 971 024	$1 311 877
Revenue remittance -- SEBJ, Hydro-Québec	301 644	206 137
NET REVENUE	1 669 380	1 105 740
TRANSFER INCOME		
Operations		100 000
Unfinanced activities		125 000
Interest on bank borrowings	902 099	1 450 604
	902 099	1 675 604
	2 571 479	2 781 344
OPERATING EXPENSES		
Wages, salaries and fringe benefits	276 543	271 779
Operating, maintenance and administrative expenses	5 831 958	4 993 993
Depreciation	232 220	293 466
Interest on long-term debt	31 940	33 781
Interest and bank charges	902 098	1 450 604
	7 274 759	7 043 623
Recovery -- SEBJ, Hydro-Québec and affiliates	5 033 658	4 504 970
	2 241 101	2 538 653
	330 378	242 691
Royalties -- Les ressouces du Lac Meston Inc.	453 479	
PROFIT BEFORE EXTRAORDINARY ITEM	783 857	242 691
EXTRAORDINARY ITEM		
Transfer revenue -- debt service	4 067 902	3 419 396
NET PROFIT	$4 851 759	$3 662 087

DEFICIT
for the fiscal year ended December 31, 1987

	1987	1986
Opening balance	$(69 301 557)	$(72 963 644)
Net profit	4 851 759	3 662 087
Closing balance	$(64 449 798)	$(69 301 557)

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31, 1987

	1987	1986
OPERATIONS		
Net profit (loss)	$4 851 759	$3 662 087
Items not affecting liquid assets:		
Depreciation	232 220	293 466
Profit on sale of fixed assets	(263 500)	(71 971)
Profit on sale of infrastructures	(104 000)	
	4 716 479	3 883 582
Net change in working capital items not making up liquid assets	1 296 168	508 475
Liquid assets generated by operations	6 012 647	4 392 057
INVESTMENTS		
Investment purchases	(48 565)	
Loans		(14 000)
Loan collection	38 313	27 486
Investment charge-off		2
Purchases of fixed assets	(318 103)	
Sales of fixed assets	683 713	275 644
SEBJ and Hydro-Québec contributions	147 985	
Sale of infrastructures	110 000	
Liquid assets generated by investments	613 343	289 132
FINANCING		
Repayment of long-term debt, liquid assets used by financing	(308 160)	(30 192)
INCREASE IN LIQUID ASSETS	6 317 830	4 650 997
OPENING DEFICIENCY IN LIQUID ASSETS	(11 154 407)	(15 805 404)
CLOSING DEFICIENCY IN LIQUID ASSETS (Note 11)	$(4 836 577)	$(11 154 407)

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

BALANCE SHEET
as at December 31, 1987

	1987	1986
ASSETS		
CURRENT ASSETS		
Cash	$1 938 456	$26 498
Accounts receivable (Note 3)	1 656 298	1 927 975
Advances to affiliated companies	81 020	77 304
Expenses chargeable to next fiscal year	22 473	
	3 698 247	2 031 777
INVESTMENTS (Note 4)	3 006 777	2 996 525
FIXED ASSETS (Note 5)	2 011 460	2 493 775
INFRASTRUCTURES	91 000	97 000
	$8 807 484	$7 619 077
LIABILITIES		
CURRENT LIABILITIES		
Bank loans (Note 6)	$6 775 033	$11 180 905
Accounts payable and accrued expenses	2 062 117	988 922
Holdbacks on contracts	117 632	140 147
Payments on the long-term debt maturing during the next fiscal year		34 865
	8 954 782	12 344 839
LONG-TERM DEBT		273 295
	8 954 782	12 618 134
NEGATIVE SHAREHOLDER'S EQUITY		
Capital stock (Note 7)	60 000 000	60 000 000
Contributed surplus	4 302 500	4 302 500
Deficit (Note 8)	(64 449 798)	(69 301 557)
	(147 298)	(4 999 057)
	$8 807 484	$7 619 077

CONTINGENT LIABILITY (Note 9)

On behalf of the Board of Directors,

Laurent Levasseur
Jean-Louis Dulac

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Legal status and nature of activities

The Société de développement de la Baie James (SDBJ) is a parapublic corporation incorporated under the James Bay Region Development Act (R.S.Q., c. D-8), all of whose shares are owned by the gouvernement du Québec. The SDBJ's role is to develop the natural resources other than hydroelectricity and build an infrastructure in the James Bay region, as well as provide for the administration and development of the region.

2. Main accounting policies

Presentation of financial statements

The financial statements have been prepared for submission to the Minister responsible for implementing the James Bay Region Development Act (Minister of Municipal Affairs), the National Assembly and any persons interested in the James Bay region.

The financial statements of SDBJ subsidiaries are presented separately, in the belief that the result makes for greater clarity. Except for the investment in the Société de développement autochtone de la Baie James (Sodab) which is recorded at cost because the increase in Sodab's net equity cannot be distributed to its shareholders, all other SDBJ investments in its subsidiaries are recorded at equity value.

Fixed assets

The unamortized cost of fixed assets is reduced by contributions by third parties. Depreciation is calculated using the straight-line method over the following periods:

Buildings	20 years
Modular homes	10 years
Office furniture and equipment	5 years
Machinery and equipment	3 years
Rolling stock	3 years

Infrastructures

Under an agreement with the Société d'énergie de la Baie James (SEBJ), the SDBJ has seen to the construction of infrastructures required by the SEBJ, such as all-weather and winter roads, bridges, airports, and the Radisson city centre at a total cost of $408 390 660. Until December 31, 1985, the SEBJ assumed 99% of the net construction costs ($400 766 705) and 100% of the maintenance and operating expenses. During the fiscal year ended December 31, 1985, a $7 526 955 write-down was posted to reflect the realization value. The SDBJ is the exclusive owner of these infrastructures but may not alienate, assign or convey them without the agreement of the SEBJ.

Income taxes

As Government-owned corporations, the SDBJ and its wholly-owned subsidiaries are exempt from income tax.

3. Accounts receivable

	1987	1986
Société d'énergie de la Baie James	$748 984	$114 187
Hydro-Québec	612 559	1 495 575
Current portion of loans receivable	21 502	24 589
Other	381 382	426 434
	1 764 427	2 060 785
Provision for bad debts	108 129	132 810
	$1 656 298	$1 927 975

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

4. Investments

	1987	1986
Investments in subsidiaries		
100% holding of Somine shares	$1	$1
51% holding of Sodab shares	510	510
	511	511
Stock investment		
1 212 625 common shares in Les Ressources du Lac Meston Inc.		2 916 950
2 875 778 common shares in Les Ressources Campbell inc. (stock market value of $5 348 947 as at December 31, 1987)	2 965 515	
	2 966 026	2 917 461
Loans receivable	40 751	79 064
	$3 006 777	$2 996 525

On December 29, 1987, the 1 212 625 common shares in Les Ressources du Lac Meston Inc. were traded for 2 849 668 common shares in Les Ressources Campbell Inc., that is, 1 share in Les Ressources du Lac Meston Inc. for 2.35 shares in Les Ressources Campbell Inc.

Also on December 29, 1987, the advances granted to Socom were exchanged for 26 110 common shares in Les Ressources Campbell Inc., recorded at $48 565, or the lesser of market value and advances granted to that date.

5. Fixed assets

	Cost	Accumulated depreciation and contributions	1987 Unamortized cost	1986 Unamortized cost
Land	$99 034		$99 034	$99 034
Buildings	3 906 005	2 117 758 $	1 788 247	1 805 588
Modular homes	835 326	775 722	59 604	419 462
Office furniture and equipment	1 266 283	1 259 895	6 388	2 353
Material and equipment	1 565 158	1 560 091	5 067	14 338
Rolling stock	1 432 399	1 379 279	53 120	153 000
	$9 104 205	$7 092 745	$2 011 460	$2 493 775

A sum of $5 001 315 is included in the accumulated depreciation as contributions by SEBJ and Hydro-Québec.

6. Bank borrowings

Bank loans are guaranteed by the gouvernement du Québec up to a maximum of $17 100 000. However, for any borrowing exceeding $11 530 000, the SDBJ must obtain the specific authorization of the Minister of Municipal Affairs. At December 31, 1987, the Minister had authorized borrowings totalling $8 602 000.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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7. Capital stock

	1987	1986
Authorized		
10 000 000 common shares with a par value of $10 each		
Issued and paid up		
6 000 000 common shares	$60 000 000	$60 000 000

SDBJ shares are part of the public domain and are assigned to the Minister of Finance. Section 25 of the James Bay Region Development Act prescribed that the Société was to be paid, from the Consolidated Revenue Fund, an amount not to exceed $10 000 000 each year, for ten years, for 1 000 000 shares; 6 000 000 shares have been issued and are fully paid. The Minister of Finance ceased subscribing shares on March 2, 1977.

8. Accumulated deficit

The accumulated deficit of the SDBJ was $64 449 798 as at December 31, 1987; it was due mainly to write-downs and write-offs of assets in the financial statements.

Accumulated write-offs and write-downs in the financial statements are of three types and total $68 909 534. The accumulated operating profit since the creation of the SDBJ and its subsidiaries is $4 459 736, which breaks down as follows:

Write-down to reflect realization value with a view to amending the SDBJ's mandate	
Infrastructures	$7 526 955
Regional development	4 768 089
Environmental protection	4 507 019
	16 802 063
Write-down of mining assets to reflect the eventual ceding of said assets to other Government entities with a view to amending the SDBJ's mandate	
Somine Inc.	19 330 886
Fer Albanel	5 890 070
	25 220 956
Write-off of mining assets following abandoning of exploration projects and mining operations	
Exploration project	14 357 099
Joe Mann Mine	12 529 416
	26 886 515
Accumulated operating profit	
Subsidiaries	(1 153 937)
SDBJ	5 613 673
	4 459 736
	$64 449 798

9. Contingent liability

During the fiscal year ending December 31, 1985, the SDBJ paid an amount of $2 000 000 in settlement of a claim submitted by a contractor.

Management is currently trying to recover all or part of this amount from the beneficiaries of the work carried out.

10. Commitments

Commitments connected to acquisitions of fixed assets and attendant maintenance costs total $605 156. This amount is redeemable in full by the Société d'énergie de la Baie James.

Rolling stock	$524 464
Maintenance and repairs	80 692
	$605 156

11. Liquid assets deficiency

	1987	1986
Cash	$1 938 456	$26 498
Bank loans	(6 775 033)	(11 180 905)
	$(4 836 577)	$(11 154 407)

AUDITORS' REPORT

To Mr. Pierre Paradis
Minister responsible for implementing the
James Bay Region Development Act
Parliament Building
Québec City

We have examined the balance sheet of the Société de développement de la Baie James as at December 31, 1987 and the statements of operating results, deficit and change in financial position for the year then ended. We obtained all the information we requested. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, based on the information and explanations provided to us and from what is shown in the Société's books, these financial statements present fairly the financial position of the Société at December 31, 1987 and the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting policies applied on a basis consistent with that of the preceding year.

Maheu Noiseux
Chartered Accountants

Amos, July 18, 1988

SOCIÉTÉ DE DÉVELOPPEMENT DES COOPÉRATIVES
R.S.Q., c. S-10.001

REVENUE, EXPENDITURE AND DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Investment earnings (Note 6)	$1 605 066	$1 042 740
Interest on term deposits	320 692	219 070
Other	27 051	36 889
	1 952 809	1 298 699
CONTRIBUTION FROM THE GOUVERNEMENT DU QUÉBEC (Note 76)	3 238 722	3 019 676
	5 191 531	4 318 375
EXPENDITURE		
Assistance programs		
Assumption of interest	489 740	476 667
Assumption of loan guarantees	577 275	671 231
Provision for losses on financial assistance and on interest due and accrued (Note 3c)	153 696	(48 874)
	1 220 711	1 099 024
Administrative expenses (Note 8)	1 903 953	1 848 184
Financial charges (Note 9)	654 220	695 139
	3 778 884	3 642 347
SURPLUS REVENUE OVER EXPENDITURE	1 412 647	676 028
OPENING DEFICIT	2 347 463	3 023 491
CLOSING DEFICIT	$934 816	$2 347 463

SOCIÉTÉ DE DÉVELOPPEMENT DES COOPÉRATIVES

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Surplus revenue over expenditure	$1 412 647	$676 028
Items not affecting liquid assets:		
Provision for losses on financial assistance and interest due and accrued	153 696	(48 874)
Increase in the net realization value of investment in a subsidiary	(512 600)	(53 078)
(Gain) loss on the disposal of real estate	(238 795)	43 242
Net receipts generated by operations	814 948	617 318
Investment-related operations	3 784 167	1 604 488
Net change in other balances excluding liquid assets	207 099	21 594
Funds generated by operating activities	4 806 214	2 243 400
FINANCING ACTIVITIES		
Funds absorbed by financing activities:		
Repayment of advances - gouvernement du Québec and subscribing cooperative members (Note 5)	(1 810 642)	(2 530 345)
(INCREASE) DECREASE IN LIQUID ASSETS DURING THE FISCAL YEAR	2 995 572	(286 945)
OPENING LIQUID ASSETS	901 244	1 188 189
CLOSING LIQUID ASSETS	$3 896 816	$901 244

The Société's liquid assets include cash and term deposits less bank loans.

SOCIÉTÉ DE DÉVELOPPEMENT DES COOPÉRATIVES

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash and term deposits	$5 733 298	$3 076 891
Accounts receivable	7 975	4 100
Interest accrued on term deposits	57 426	13 575
Prepaid expenses	24 205	9 812
	5 822 904	3 104 378
Investments		
Subsidiary (notes 3a and 4)	4 858 601	4 346 001
Financial assistance and interest due and accrued (Note 3b)	4 977 962	8 311 704
Fixed assets		440 326
	9 836 563	13 098 031
Head office building	422 817	422 817
	$16 082 284	$16 625 226
LIABILITIES		
Bank loans	$1 836 482	$2 175 647
Accounts payable and accrued expenses	129 336	146 903
Contribution received in advance from the gouvernement du Québec	557 396	140 319
Loan guarantees payable	22 654	130 669
Assumption of interest payable	100 756	123 033
Deposit on option to buy land		75 000
Advances - gouvernement du Québec and subscribing cooperative members (Note 5)	14 370 476	16 181 118
	17 017 100	18 972 689
DEFICIT	934 816	2 347 463
	$16 082 284	$16 625 226

COMMITMENTS AND CONTINGENT LIABILITIES (Note 10)

On behalf of the Board of Directors,

Gérard Barbin
Jean-Claude Hudon

SOCIÉTÉ DE DÉVELOPPEMENT DES COOPÉRATIVES

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société is a corporation incorporated under the Act respecting the Société de développement des coopératives (R.S.Q., c. S-10. 001), which entered into effect on June 6, 1984. On the same date, the Société acquired the rights of the Société de développement coopératif and assumed its obligations.

The purpose of the Société de développement des coopératives is to promote the creation and development of cooperatives so as to stimulate increased participation of the population in economic activities, as well as to promote the economic development of Québec regions and job creation in these regions. To achieve these goals, the Société administers financial assistance programs established by the Government.

2. Accounting policies

The financial statements of the Société have been prepared by management using the accrual method and the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Investments

- SUBSIDIARY

  The accounts of the wholly-owned subsidiary S.D.C. (Habitation) 1980 Inc. have not been consolidated with those of the Société de développement des coopératives in view of the gradual winding down of the subsidiary's operations.

- FINANCIAL ASSISTANCE

  Financial assistance is recorded at cost. To the extent that the Société considers it cannot recover a portion of such financial assistance, the anticipated loss is recorded against the provision for losses and charged to expenditure.

Provision for losses on financial assistance and interest due and accrued

The provision for losses is determined by analyzing each case individually.

Material and equipment

Acquisitions of material and equipment are charged to operations.

Head office building

The head office building is shown at original cost and is not depreciated.

3. Investments
a. Subsidiary -- at net realization value

		Net realization value	
	Cost	1988	1987
S.D.C. (Habitation) 1980 Inc., wholly-owned subsidiary:			
10 000 common shares	$1 000 000		
499 class "C" preferred shares, 8% non-cumulative, redeemable at par value of $1 000 each)	499 000		
Advances on notes, minimum 3% interest	5 001 000	$4 858 601	$4 346 001
	$6 500 000	$4 858 601	$4 346 001

The net realization value is calculated taking into account an unaudited net profit of $60 000 for the first quarter of 1988 ($0 in 1987).

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Investments (cont'd)

A summary of the audited financial statements of the subsidiary for the fiscal years ended December 31, 1987 and 1986 are shown in Note 4.

b. Financial assistance and interest due and accrued

	1988	1987
Common shares	$10 000	$10 000
Preferred shares	1 685 530	1 777 530
Advances	705 267	787 912
Subordinate loans	4 483 906	8 019 192
Secured loans	971 482	1 524 762
	7 856 185	12 119 396
Interest due and accrued	234 452	306 836
	8 090 637	12 426 232
Provision for losses	3 112 675	4 114 528
	$4 977 962	$8 311 704

The book value of investments made prior to June 6, 1984, including the investment in its subsidiary, amounts to $8 349 575 (March 31, 1987: $11 014 046) after deducting a provision for losses of $2 757 320 (March 31, 1987: $3 920 866).

c. Provision for losses on financial assistance and on interest due and accrued

	1988	1987
Opening balance	$4 114 528	$4 377 937
Write-offs during the fiscal year	1 155 549	214 535
	2 958 979	4 163 402
Provision for the fiscal year	153 696	(48 874)
Closing balance	$3 112 675	$4 114 528

4. Wholly-owned subsidiary - summary of audited financial statements

S.D.C. (Habitation) 1980 Inc.
BALANCE SHEET
as at December 31, 1987

	1988	1987
ASSETS		
Current assets	$4 254 492	$508 477
Investments, at cost	545 609	3 846 806
	$4 800 101	$4 355 283

4. Wholly-owned subsidiary - summary of audited financial statements (cont'd)

S.D.C. (Habitation) 1980 Inc. (cont'd)

	1987	1986
LIABILITIES AND SHAREHOLDER EQUITY		
Current liabilities	$1 500	$9 282
Owed to shareholder	5 001 000	5 001 000
Capital stock	1 499 000	1 499 000
Deficit	(1 701 399)	(2 153 999)
	$4 800 101	$4 355 283

OPERATING RESULTS AND DEFICIT
for the fiscal year ended December 31, 1987

	1987	1986
Revenue	$647 379	$508 179
Expenditure	194 779	455 101
Net profit for the fiscal year	452 600	53 078
Opening deficit	2 153 999	2 207 077
Closing deficit	$1 701 399	$2 153 999

Expenditure for fiscal 1987 and 1986 includes $150 030 minimum interest on advances from the Société de développement des coopératives.

5. Advances - gouvernement du Québec and subscribing members

	1988			1987
	Advances from the gouvernement du Québec	Advances from subscribings members	Total	Total
Opening balance	$14 175 312	$2 005 806	$16 181 118	$18 711 463
Repayments	1 238 996	175 222	1 414 218	2 361 345
Repayments in advance	347 307	49 117	396 424	169 000
	1 586 303	224 339	1 810 642	2 530 345
Closing balance	$12 589 009	$1 781 467	$14 370 476	$16 181 118

Principal payments for April on the reimbursement of financial assistance received prior to March 31, 1988 total $1 897 939 (March 31, 1987: $482 019).

Advances bear interest at an annual rate equal to 50% of surplus revenue over expenditure with respect to financial assistance provided from such advances, provided the surplus is not a deficit or that payment of such interest does not produce a deficit. The interest rate may not be less than 3%. In addition, in the event that interest equal to 50% of surplus revenue over expenditure is paid, the Board of Directors may vote supplementary interest which may not, overall, exceed the prime rate plus ½ of 1%. Such supplementary interest will be charged against surplus when it is paid out.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Advances - gouvernement du Québec and subscribing members (cont'd)

Under section 47 of its Act of incorporation, the Société must, as of June 6, 1984, repay to the gouvernement du Québec and to subscribing members the advances they have made to the Société de développement coopératif on a prorata basis to their claims, from repayments of financial assistance granted prior to such date. During the year, principal repayments on financial assistance amounted to $2 830 138.

TRANSACTIONS FROM ADVANCES FROM THE GOUVERNEMENT DU QUÉBEC AND SUBSCRIBING MEMBERS FOR INTEREST CALCULATION PURPOSES
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Interest on investments	$1 493 526	$932 618
Interest on term deposits	271 202	183 481
Provision for loss on financial assistance and interest due and accrued	100 111	48 874
Other	2 302	26 889
	1 867 141	1 191 862
EXPENDITURE		
Minimum interest on advances - 3%	454 494	515 834
SURPLUS REVENUE OVER EXPENDITURE	$1 412 647	$676 028

6. Investment earnings

	1988	1987
Interest on financial assistance	$703 230	$882 874
Minimum interest on advances to a subsidiary	150 441	150 030
Increase in the net realization value of investment in a subsidiary	512 600	53 078
Gain (loss) on the disposal of real estate	238 795	(43 242)
	$1 605 066	$1 042 740

7. Contribution from the gouvernement du Québec

This contribution was used to repay the following expenses:

	1988	1987
Assistance programs		
Assumption of interest	$489 740	$476 667
Assumption of loan guarantees	577 275	671 231
Provision for losses on financial assistance and on interest due and accrued	253 807	
	1 320 822	1 147 898
Administrative expenses	1 903 953	1 848 184
Financing costs	199 726	179 305
Amounts to be deferred	$3 424 501	$3 175 387

7. Contribution from the gouvernement du Québec (cont'd)

	1988	1987
Deferred amounts	$3 424 501	$3 175 387
Less: Interest on investments and on term deposits	161 029	145 711
Other revenue	24 750	10 000
	185 779	155 711
	$3 238 722	$3 019 676

8. Administrative expenses

	1988	1987
Wages, salaries and fringe benefits	$1 391 170	$1 392 442
Travel expenses	122 759	101 318
Advertising and information expenses	44 774	27 318
Office supplies	93 124	106 953
Professional fees	13 772	7 847
Telecommunications	64 636	68 619
Meeting expenses	17 177	17 276
Rent and occupancy expenses	137 700	119 304
Material and equipment	18 841	7 107
	$1 903 953	$1 848 184

9. Financial charges

	1988	1987
Interest on bank loans	$199 726	$179 305
Interest on advances - gouvernement du Québec and subscribing members (minimum interest of 3%)	454 494	515 834
	$654 220	$695 139

10. Commitments and contingent liabilities

a) Financial assistance, in the form of a loan, approved but not disbursed as of March 31, 1988 amounts to $9 900 (March 31, 1987: $449 500).

b) Loans contracted by cooperative enterprises which were guaranteed by the Société amount to $18 757 800 at March 31, 1988 (March 31, 1987: $13 318 900).

Assumption of interest on loans contracted by cooperative enterprises is conditional.

Commitments in this regard at March 31, 1988 for the next five years are distributed as follows:

--1989	$528 900
--1990	414 600
--1991	123 000
--1992	63 600
--1993	44 800
	$1 174 900

SOCIÉTÉ DE DÉVELOPPEMENT DES COOPÉRATIVES

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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10. Commitments and contingent liabilities (cont'd)

Payments made by the Société pursuant to the above types of assistance are reimbursed by the gouvernement du Québec in the form of annual appropriations voted for this purpose by the National Assembly.

11. Comparative figures

Certain figures from the statement of revenue and expenditure for 1987 have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Société de développement des coopératives as at March 31, 1988 and the statement of revenue, expenditure and deficit and the statement of change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the year then ended, in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 4, 1988

SOCIÉTÉ DE DÉVELOPPEMENT INDUSTRIEL DU QUÉBEC
R.S.Q., c. S-11.01

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
		(Note 20)
REVENUE		
Interest on loans and offset (Note 13)	11 962	11 484
Interest on bank deposits	510	214
Dividends	44	560
Premiums earned (Note 11)	53	296
Loan security fees (Note 14)	709	270
Management fees	556	
	13 834	12 824
Contributions from the gouvernement du Québec (Note 15)	82 906	88 167
	96 740	100 991
EXPENDITURE		
Financial charges (Note 16)	7 210	7 427
Provision for losses on loans and capital stock holdings (Note 6)	1 497	3 034
Interest claims (Note 11)	53	296
	8 760	10 757
EXPENDITURE ASSUMED BY THE GOUVERNEMENT DU QUÉBEC (Note 15)		
Financial support to companies	73 329	79 171
Operating expenses	9 577	8 996
	82 906	88 167
	91 666	98 924
NET REVENUE	5 074	2 067

SOCIÉTÉ DE DÉVELOPPEMENT INDUSTRIEL DU QUÉBEC

RESERVE FUND
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
		(Note 20)
OPENING BALANCE		
Balance carried forward	19 185	17 278
Adjustment - Contribution from the gouvernement du Québec for the acquisition of fixed assets (Note 3)	265	105
Adjusted balance	19 450	17 383
NET REVENUE	5 074	2 067
CLOSING BALANCE	24 524	19 450

SOCIÉTÉ DE DÉVELOPPEMENT INDUSTRIEL DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
		(Note 20)
OPERATING ACTIVITIES		
Net receipts generated by operations (Note 17)	6 598	5 128
Loan and capital stock holding transactions	(207 418)	(46 289)
Net change in other non-liquid asset balances	6 097	2 507
Funds absorbed by operating activities	(194 723)	(38 654)
FINANCING ACTIVITIES		
Issue of long-term debt	110 000	10 500
Advances from the gouvernement du Québec	51 082	26 313
Endowment from the gouvernement du Québec	(445)	
Funds generated by financing activities	160 637	36 813
INVESTMENT ACTIVITY		
Funds absorbed by investment activity: Acquisition of fixed assets	(505)	(554)
INCREASE IN BANK INDEBTEDNESS DURING THE YEAR	34 591	2 395
OPENING BANK INDEBTEDNESS	3 474	1 079
CLOSING BANK INDEBTEDNESS	38 065	3 474

The Société's bank indebtedness includes the bank loan less cash.

SOCIÉTÉ DE DÉVELOPPEMENT INDUSTRIEL DU QUÉBEC

BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
		(Note 20)
ASSETS		
Loans (Note 4)	371 142	192 229
Capital stock holdings (Note 5)	59 176	34 889
Interest due and accrued	2 270	2 207
	432 588	229 325
Provision for losses on loans and capital stock holdings (Note 6)	19 023	21 744
	413 565	207 581
Cash	935	4 011
Contributions receivable from the gouvernement du Québec	8 767	10 759
Interest paid in advance	332	56
Guaranteed claim receivable (Note 7)	10 650	10 650
Bond issue expenses - unamortized cost	39	66
Fixed assets (Note 8)	1 631	1 336
	435 919	234 459
LIABILITIES		
Long-term debt (Note 9)	186 149	74 736
Interest due and accrued on long-term debt and on advances from the gouvernement du Québec	4 566	885
Advances from the gouvernement du Québec (Note 10)	115 032	63 950
Financial assistance to be disbursed	11 508	11 732
Bank loan	39 000	7 485
Accounts payable and accrued expenses	242	10
Deferred revenue (Note 11)	21 954	22 822
	378 451	181 620
EQUITY		
Endowment from the gouvernement du Québec (Note 12)	32 944	33 389
Reserve fund	24 524	19 450
	57 468	52 839
	435 919	234 459

COMMITMENTS (Note 18)
CONTINGENT LIABILITIES (Note 19)

On behalf of the Board of Directors,

Gérald Tremblay
Guy Savard

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

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1. Constitution and purpose

The Société de développement industriel du Québec is a non-profit corporation within the meaning of the Civil Code, incorporated under a special Act. Its purpose is to promote the economic development of Québec, notably by encouraging the development of business, the growth of exports, and research and innovation.

To achieve its goal, the Société grants financial assistance to business through financial assistance programs established by regulation and intended to promote the economic development of Québec. It also gives advice on capital structure to businesses applying for financial assistance.

The Société must make sure that the business to which it grants assistance has the required financial structure, the technical personnel and proper management, and the desired means of production and marketing to ensure completion of its project, which must show potential for becoming profitable.

2. Accounting policies

The Société's financial statements have been prepared by management in accordance with the accounting policies set forth below. These statements include amounts based on best estimates and judgment.

Capital stock holdings

Financial assistance provided out of Société funds in the form of acquisitions of capital stock are shown at the cost of acquisition under the item "Capital stock holdings". To the extent that the Société considers such assistance will not be recovered, the anticipated loss is recorded against the provision for losses and charged to expenditure.

Provision for losses on loans and capital stock holdings

The provision for losses on loans is determined by assessing the anticipated loss for each loan for which significant collection problems are being encountered; for other loans, a rate based on the experience of the losses incurred is applied to cover eventual losses. The provision for losses on capital stock holdings is determined by examining each case.

No provision is set up for losses resulting from financial assistance programs administered by the Société when such losses are assumed by the gouvernement du Québec.

Fixed assets

Fixed assets are recorded at the cost of acquisition. They are depreciated over their service life according to the following methods and rates:

	Method	Rate
Computer hardware and software	Straight-line	10 %
Furniture and equipment	Diminishing balance	10 %

Assumption of part of firms' cost of borrowing and subsidies

The costs relating to the assumption of part of firms' cost of borrowing and subsidies are charged to operations for the year in which these firms produced their claim and met all terms and conditions set by the Société. The corresponding contribution from the gouvernement du Québec is then considered to be acquired by the Société.

Long-term debt

Bonds are recorded at face value. Heavily discounted bonds are recorded at their present value, increased each year by capitalization of the discount, resembling interest, using the effective interest method, and charged each year to financing costs.

2. Accounting policies (cont'd)

Bond issue expenses

Bond issue expenses are amortized over the term of the debt, using the straight-line method.

Deferred revenue

a) Contribution to interest on bonds

The contribution received from the gouvernement du Québec representing the difference between the present value of heavily discounted bonds and their face value was deferred at time of issue. This contribution is transferred to operations according to the effective interest method over the term of the debt.

b) Contribution to the acquisition of fixed assets

The acquisition cost of fixed assets is paid by the gouvernement du Québec out of monies granted for this purpose by the National Assembly. This contribution is deferred and transferred to operations using the same methods and rates as for depreciation on fixed assets.

c) Protection against increases in interest rate

Premiums collected and the interest they generate are recorded as deferred revenue and transferred to operations as claims are accepted. The Société will not incur a loss, since the Government assumes the extra costs of this program.

Administrative expenses assumed by the gouvernement du Québec

The Société's administrative expenses assumed by the Government are paid from monies granted for this purpose by the National Assembly.

The cost of fringe benefits granted to Société employees and of certain support services are covered by appropriations of the various departments and agencies involved and are not shown in the statement of revenue and expenditure.

3. Change to accounting policies

Starting this year, the contribution from the gouvernement du Québec for the acquisition of fixed assets is deferred and transferred to operations using the same methods and rates as for depreciation on fixed assets. Previously, such contribution was entered as contributed capital. The retroactive application of this change to accounting policies has increased (decreased) the following items in the financial statements:

	1988	1987
Deferred revenue	1 631	1 336
Net revenue	210	160
Contributed capital	(2 106)	(1 601)
Reserve fund	475	265

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

4. Loans

	1988	1987
Loans secured by the gouvernement du Québec (1)		
Loans bearing interest		
Assistance for research and innovation activities	47 037	36 445
P.M.E. Innovatrice	6 814	11 740
Development assistance for tourism	2 837	4 438
Start-up credit	17 252	13 153
Special mandates (section 7 of the Act respecting the Société de développement industriel)	7 540	8 000
Interest-free loans		
Development assistance for tourism	4 583	2 073
Modern technology and dynamic enterprises	112 661	71 567
Service industries	405	162
Electronics industry	122	
Special mandates (section 7 of the Act respecting the Société de développement industriel)	135 300	
	334 551	147 578
Loans not secured by the gouvernement du Québec		
Loans bearing interest		
Financing for firms in the manufacturing sector	30 481	43 714
Export financing	1 950	937
Participatory loans bearing interest		
Investment assistance	4 032	
Assistance for research and innovation activities	128	
	36 591	44 651
	371 142	192 229

(1) Revenue from P.M.E. Innovatrice is paid to the gouvernement du Québec. Financial charges are assumed by the gouvernement du Québec with the exception of charges relating to loans for research and innovation assistance, start-up credit and development assistance for tourism, which are charged to the Société.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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5. Capital stock holdings -- at cost

	1988	1987
Holdings secured by the gouvernement du Québec (1)		
Common and preferred shares		
Urgence d'aide à la P.M.E.	976	976
Financing of companies	4 626	1 043
P.M.E. Innovatrice	2 741	2 219
Capitalization loan	1 000	
Assistance for research and innovation activities	478	
Special mandates (section 7 of the Act respecting the Société de développement industriel)	10 060	60
Special class stock		
Development assistance for tourism	5 078	3 020
Modern technology and dynamic enterprises	22 093	12 607
Service industries	48	19
	47 100	19 944
Holdings not secured by the gouvernement du Québec		
Common and preferred shares		
Financing for firms in the manufacturing sector	10 333	13 715
Export financing	707	391
Creation of a consortium	1 036	839
	12 976	14 945
	59 176	34 889

(1) Revenue from this holding is paid to the gouvernement du Québec. Financial charges are assumed by the Government.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

6. Provision for losses on loans and capital stock holdings

	1988	1987
Opening balance	21 744	20 682
Less:		
Write-offs		
Loans	3 480	664
Capital stock holdings	738	1 341
	4 218	2 005
Plus:		
Recovery on loans written off		33
	17 526	18 710
Plus:		
Additional provision for the year		
Loans	938	1 837
Capital stock holdings	559	1 197
	1 497	3 034
Closing balance	19 023	21 744
Provision for losses is distributed as follows:		
Loans	16 795	19 337
Capital stock holdings	2 228	2 407
	19 023	21 744

Expected losses on loans and capital stock holdings whose reimbursement is guaranteed by the gouvernement du Québec totalled $26 920 080 at March 31, 1988 (March 31, 1987: $17 393 564). These losses do not include those relating to interest-free loans as they are not usually payable until 15 years after outlay and those relating to special class stock, for which there is no redemption date.

7. Guaranteed claim receivable

This guaranteed claim receivable is the result of sales and payment agreements reached July 21, 1981 with the main shareholder of an industrial firm in which the Société held a 40% interest.

Notwithstanding clauses stipulating that the disposal of this capital stock holding was completed for a price of $3 600 000, which amount, with interest compounded annually at the daily prime rate in effect as of July 31, 1981, will total $10 650 000 at maturity, the Société considers that the substance of the agreements enables it to recover, in the long run, the assistance granted to this firm, though without return. It therefore holds the view that ultimately, it will neither have realized a profit nor suffered a loss on this recovery.

This debt of $10 650 000, guaranteed by a chartered bank and recorded at its maturity value, is receivable at a date which depends on the rate at which interest accumulates and will fall between 1990 and 1991.

The present value of this debt is $8 203 042 at March 31, 1988, comprised of $3 600 000 for the selling price and $4 603 042 for accrued interest at such date.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

8. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Computer hardware and software	2 086	470	1 616	1 319
Furniture and equipment	20	5	15	17
	2 106	475	1 631	1 336

9. Long-term debt

The gouvernement du Québec guarantees payment of principal and interest on these bonds.

	1988	1987
Series "C" bonds, 12 ½ %, maturing December 3, 1989	16 800	16 800
Series "D" bonds, interest-free, maturing June 7, 1995: par value of $30 000 000, shown at present value at 11.05% per year	13 849	12 436
Series "E" bonds, bearing interest at an annual rate equal to the average prime rate of three chartered banks less 5/8 of 1 % and maturing March 24, 1991. These bonds are callable at face value, at the discretion of the Société beginning March 24, 1988 or at any interest payment date in multiples of $5 000 000	35 000	35 000
Series "F" bonds, bearing interest at an annual rate of 8.25%, maturing May 15, 1992. Bonds can be traded, at the discretion of the holder, for SDIC series "2F" bonds bearing interest at an annual rate of 9.125% from the date of registration when traded and maturing May 15, 2007	110 000	
Loan of 1 190 000 000 YEN, bearing interest at a real rate of 6% (effective yield of 8.88% taking into account the foreign exchange contract), falling due February 6, 1997. Repayments of principal and interest are covered by a foreign exchange contract at a predetermined fixed rate.	10 500	10 500
	186 149	74 736

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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10. Advances from the gouvernement du Québec

	1988	1987
Refundable advances bearing interest in accordance with financial assistance policies except for those concerning the special mandate, which bears interest at a rate of 9.75%		
P.M.E. Innovatrice program		
Loans	6 814	11 740
Interest due and accrued	698	1 042
Capital stock holdings in a company		
Special mandate (section 7 of the Act respecting the Société de développement industriel du Québec)	10 000	
Refundable advances not bearing interest		
P.M.E. Innovatrice program		
Capital stock holdings in companies	2 741	2 219
Interest-free loans	67 561	33 303
Holdings in special class capital stock of companies	27 218	15 646
	115 032	63 950

11. Deferred revenue

	1988	1987
- Contribution of the gouvernement du Québec to interest on series "D" bonds:		
Opening balance	17 564	18 550
Contribution transferred to operations	1 413	986
Closing balance	16 151	17 564
- Gouvernement du Québec contribution to the acquisition of fixed assets:		
Opening balance	1 336	942
Contribution received	505	554
	1 841	1 496
Contribution transferred to operations	210	160
Closing balance	1 631	1 336
Amounts to be deferred	17 782	18 900

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

11. **Deferred revenue** (cont'd)

	1988	1987
Deferred amounts	17 782	18 900
- Protection against increase in interest rates:		
Opening balance	3 922	3 392
Premiums received and interest	303	826
	4 225	4 218
Premiums earned following interest claims	53	296
Closing balance	4 172	3 922
	21 954	22 822

12. Endowment from the gouvernement du Québec

The gouvernement du Québec is authorized to pay $100 million from the Consolidated Revenue Fund to the Société as an endowment. At March 31, 1988, this endowment totalled $32 944 115 ($33 389 115 at March 31, 1987). The $445 000 decrease represents the transfer of a capital stock holding to the Government.

13. Interest on loans and loan security fees

	1988	1987
Loans secured by the gouvernement du Québec	6 402	5 166
Loans not secured by the gouvernement du Québec	2 865	3 718
Participatory loans not secured by the gouvernement du Québec	49	
	9 316	8 884
Compensation from the gouvernement du Québec for certain loans granted at below-market rates	2 646	2 600
	11 962	11 484

14. Loan security fees

	1988	1987
Loan security assumed by the gouvernement du Québec	642	160
Loan security assumed by the Société	67	110
	709	270

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

15. Contributions from the gouvernement du Québec (1)

These contributions are applied to the following expenses:

	Act re the Société de développement industriel du Québec		Act re Ministère de l'Industrie et du Commerce (4)	Act re assistance for tourism development	Total 1988	Total 1987
	General mandate (2)	Special mandates (3)				
Financial assistance to business:						
Assumption of part of firms' cost of borrowing and subsidies	41 519	9 102	2 977	3 026	56 624	63 963
Exemptions on repayments on loans and interest	342		685		1 027	611
Performance of loan repayment guarantees	12 112		1 872		13 984	12 374
Loss on loans guaranteed by the gouvernement du Québec	1 694				1 694	820
Loss on disposal of capital stock holdings						1 403
	55 667	9 102	5 534	3 026	73 329	79 171
Operating expenses						
Salaries, wages and other remuneration					7 212	6 737
Computer services					111	78
Office rent					1 157	1 111
Depreciation on fixed assets					210	160
Other					887	910
					9 577	8 996
Total contributions					82 906	88 167

(1) Additional contributions of $18 621 000 are shown separately: i) on the statement of revenue and expenditure: $2 646 000 to offset the shortfall on loans granted at below-market rates and $15 470 000 in consideration for a number of incurred financial charges; and ii) as deferred revenue under liabilities: $505 000 for the acquisition of fixed assets.

(2) Includes the following programs: formation of consortium, investment assistance for advanced-technology firms and dynamic enterprises, capitalization loan, development assistance for the electronics industry, investment assistance for primary service industries, financing of firms, start-up credit and assistance for research and innovation activities.

(3) Section 7 of the Act respecting the Société de développement industriel du Québec.

(4) Includes emergency programs for assistance to small and medium-sized businesses, new contractors, innovative small and medium-sized businesses, modernization for textile, hosiery and clothing industries, and innovation in the furniture industry.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

16. Financial charges

	1988	1987
Interest on long-term debt	15 598	6 487
Interest on advances from the gouvernement du Québec	1 046	1 445
Interest and bank charges	5 459	2 737
Amortization of bond issue expenses	27	27
Bond issue expenses assumed by the gouvernement du Québec	550	
	22 680	10 696
Less: Contributions from the gouvernement du Québec	15 470	3 269
	7 210	7 427

17. Change in financial position

	1988	1987
Operating activities		
- Net receipts generated by operations:		
Net revenue	5 074	2 067
Items not affecting liquid assets:		
Depreciation of fixed assets	210	160
Provision for losses on loans and capital stock holdings	1 497	3 034
Amortization of bond issue expenses	27	27
Capitalization of the discount on interest-bearing bonds	1 413	986
Transfer of deferred revenue	(1 623)	(1 146)
	6 598	5 128

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

18. Commitments

	1988	1987
Financial assistance authorized but unpaid at March 31, to be financed by Société:		
Loans		
Secured by the gouvernement du Québec	52 788	90 350
Not secured by the gouvernement du Québec	28 366	5 649
Capital stock holdings		
Secured by the gouvernement du Québec	10 500	
Not secured by the gouvernement du Québec	943	1 627

Financial assistance authorized, subject to certain conditions of the Société, but unpaid at March 31. This assistance will be financed from appropriations voted annually by the the National Assembly or from a loan from the Société guaranteed by the gouvernement du Québec.

Year	Assumption of part of firms'cost of borrowing	Subsidies	Interest-free loans	Special class stock		
1989	62 993	20 724	96 958	14 294		
1990	40 928	6 970	92 175	9 975		
1991	25 470	5 291	26 283	6 902		
1992	17 497	4 499	13 031	2 829		
1993 and thereafter	5 891	3 439	6 065	1 059		
	152 779	40 923	234 512	35 059	463 273	613 863

Based on the experience of the past three years, the Société estimates that the liquidation of these commitments at March 31, 1988 could result in disbursements of approximately $393 778 000.

19. Contingent liabilities

The Société guarantees repayment of loans to firms by lending institutions and grants exemptions on repayments subject to certain conditions. The expenditure which may arise from the performance of these guarantees is charged to the results of the then current year. However, eventual losses under certain assistance programs are assumed by the gouvernement du Québec. The maximum amounts of these loan guarantees and exemptions are distributed as follows:

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

19. Contingent liabilities (cont'd)

	1988	1987
Loan repayment guarantee:		
Assumed by the Société		
Export financing	6 751	4 050
Financing for firms in the manufacturing sector	1 632	1 034
	8 383	5 084
Assumed by the gouvernement du Québec		
Special mandates (section 7 of the Act respecting the Société de développement industriel du Québec)	99 080	96 876
Development assistance for tourism	3 952	8 665
Emergency assistance to small and medium-sized businesses	6 531	23 509
Business financing	140 814	199 182
Capitalization loan program	41 721	30 213
	292 098	358 445
	300 481	363 529
Exemption on repayment of loan granted according to the conditions set by the Société		
Assumed by the gouvernement du Québec		
Start-up credit	15 226	13 927
Export financing	136	298
Assistance for research and innovation activities	45 502	48 331
	60 864	62 556
	361 345	426 085

The performance of loan repayment guarantees, which the Société and gouvernement du Québec will be called on to assume, could result in losses of approximately $472 000 and $18 866 000 respectively.

Various legal and extra-legal proceedings instituted by or against the Société are currently under way. In the opinion of the Société, the outcome of these proceedings will not have a significant impact on the Société's financial position or results.

20. Comparative figures

Certain comparative figures from 1987 have been adjusted to take into account the change in accounting policies mentioned in Note 3 and have been reclassified for consistency with the presentation adopted in 1988.

SOCIÉTÉ DE DÉVELOPPEMENT INDUSTRIEL DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Société de développement industriel du Québec as at March 31, 1988 and the statements of revenue and expenditure, the reserve fund and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year, after giving retroactive effect to the method of recording the Government contribution to the acquisition of fixed assets described in Note 3.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 10, 1988

SOCIÉTÉ DE LA MAISON DES SCIENCES ET DES TECHNIQUES
R.S.Q., c. S-11.02

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988
REVENUE	
Interest on bank deposits and other revenue	$8 515
EXPENDITURE	
Increase in the provision for claims payable (Note 2)	46 628
SURPLUS EXPENDITURE OVER REVENUE	(38 113)
OPENING SURPLUS	41 451
CLOSING SURPLUS	$3 338

SOCIÉTÉ DE LA MAISON DES SCIENCES ET DES TECHNIQUES

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$106 499	$127 583
Accounts receivable	1 839	3 868
	$108 338	$131 451
LIABILITIES		
Provision for claims payable (Note 2)	$105 000	$90 000
SURPLUS	3 338	41 451
	$108 338	$131 451

CONTINGENT LIABILITY (Note 2)

On behalf of the Société,

Pierre Boisvert

SOCIÉTÉ DE LA MAISON DES SCIENCES ET DES TECHNIQUES

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution, purpose and termination of activities

The Société de la Maison des sciences et des techniques is an organization incorporated under a special Act to establish, administer and operate the Maison des sciences et des techniques, whose purpose is to promote scientific and technical culture and make the public aware of the sciences and technology, together with their economic, social, cultural and environmental impact.

On June 25, 1986 the gouvernement du Québec suspended the Société's operations for an undetermined period and assumed its rights and obligations from this date.

Comparative figures from the statement of revenue, expenditure and surplus for 1987 are not shown since the Société terminated its activities during the fiscal year ended March 31, 1987.

2. Contingent liability

Legal proceedings for damages and interest have been instituted against the Société by five of its former employees in connection with their dismissal. The amounts claimed amount to $459 000. Even though the Société has recorded a provision of $105 000 concerning these claims, it denies any responsibility with respect thereto.

AUDITOR'S REPORT

I have examined the balance sheet of the Société de la Maison des sciences et des techniques as at March 31, 1988 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations for the year then ended, in accordance with generally accepted accounting policies applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 27, 1988

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL
R.S.Q., c. S-12.1

REVENUE AND EXPENDITURE
for the fiscal period from September 3, 1986 to September 2, 1987

	1987	1986 (Note 11)
REVENUE		
Rent	$3 045 787	$2 654 849
Royalty on ticket sales	1 139 140	970 544
Ancillary services	2 400 007	1 873 422
Cultural events	201 412	160 539
Show production	483 360	56 907
Other	610 295	519 853
	7 880 001	6 236 114
EXPENDITURE (Note 9)		
Administrative services	4 220 410	3 719 811
Support services	4 805 528	4 657 975
Ancillary services	1 221 286	1 231 916
Cultural events	367 789	301 422
Show production	575 833	139 737
Artistic direction	168 783	148 410
Net financial charges (revenue) (Note 8)	(59 500)	20 293
	11 300 129	10 219 564
SURPLUS EXPENDITURE OVER REVENUE BEFORE GOUVERNEMENT DU QUÉBEC SUBSIDY	3 420 128	3 983 450
GOUVERNEMENT DU QUÉREC SUBSIDY		
Operations excluding subsidies for debt service (equity and Note 8)	4 023 500	3 983 450
SURPLUS SUBSIDY AND REVENUE OVER EXPENDITURE	$603 372	

EQUITY
for the fiscal year ended September 2, 1987

	1987	1986 (Note 11)
OPENING BALANCE	$19 766 063	$13 684 601
Surplus subsidy and revenue over expenditure	603 372	
Contribution from the gouvernement du Québec		
-- for repayment of long-term debts	269 000	5 775 000
-- for sinking fund	545 000	
Sinking fund revenue (Note 6)	7 046	
Gain on redemption prior to maturity of sinking fund bonds		306 462
CLOSING BALANCE	$21 190 481	$19 766 063

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

BALANCE SHEET
as at September 2, 1987 (1986: September 3)

	1987	1986 (Note 11)
ASSETS		
Cash	$22 202	
Accounts receivable	225 209	$154 165
Construction in progress (Note 3)	2 525 898	2 341 017
Subsidy receivable from the gouvernement du Québec	1 079 773	2 079 673
Inventories and prepaid expenses	129 329	121 033
Fixed assets (Note 4)	48 814 601	48 814 601
Major repairs under way (Note 5)	21 914 616	19 647 256
	$74 711 628	$73 157 745
LIABILITIES		
Outstanding cheques less cash		$525 422
Bank loans and advances (Note 3)	$2 525 898	2 841 017
Accounts payable and accrued expenses	1 379 601	1 310 219
Deposits - Rentals and ticket sales	809 805	540 283
Long-term deposits relating to fixed assets (Note 6)	28 227 492	29 048 538
Long-term debt relating to major repairs under way (Note 7)	20 578 351	19 126 203
	53 521 147	53 391 682
EQUITY	21 190 481	19 766 063
	$74 711 628	$73 157 745

SUBSEQUENT EVENT (Note 10)

On behalf of the Board of Directors,

Guy Joron, Chairman
Alan B. Gold, Vice-Chairman

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS
at September 2, 1987

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1. Constitution and purpose

The Société de la Place des Arts de Montréal is a corporation within the meaning of the Civil Code and was incorporated under a special Act to administer the Place des Arts de Montréal and produce and present cultural shows and performances.

The Place des Arts complex includes two buildings housing four halls.

2. Accounting policies

The Société's financial statements have been prepared by management according to the accrual method in accordance with the accounting policies summarized below. These statements include amounts based on best estimates and judgment.

Inventories

Inventories are valued at cost.

Fixed assets

Land

The Place des Arts site is recorded at cost.

Buildings, equipment, furnishings and works of art

The amount recorded on the books for buildings, equipment, furnishings and works of art includes the cost of building construction, equipment costs, the cost of furniture and art works acquired as original furnishings and the cost of interim financing during construction.

Buildings, equipment, furniture and works of art that are capitalized are not depreciated.

Major repairs under way

Major repairs are recorded at acquisition cost.

Cost includes material, direct labour, indirect costs and interim financing charges.

When completed, major repairs other than those classified as major improvements, are recorded as deferred expenses and will be amortized using a method still to be chosen. Major improvements to buildings are then transferred to fixed assets.

Royalty on ticket sales

Revenue from the royalty on ticket sales is recorded when received.

Equipment, furniture and works of art

Acquisitions of equipment, furniture and works of art are charged to operations for the year.

Interest on long-term debts

Interest on long-term debts is recorded on a cash basis.

3. Construction in progress

Construction and preparation of the Musée d'Art contemporain de Montréal on the Place des Arts site, which is the property of the Société, got under way in fiscal 1985. Construction work stopped in December 1985 following a moratorium imposed by the gouvernement du Québec. The moratorium was lifted during fiscal 1986-1987.

To finance the project, the Government authorized the Société to arrange interim financing for an amount not to exceed $20 000 000. At September 2, 1987, bank loans taken out and advances granted for this purpose amounted to $2 525 898 ($2 341 017 in 1986).

4. Fixed assets

	1987	1986
Land	$6 948 642	$6 948 642
Buildings, equipment, furnishings and works of art	41 865 959	41 865 959
	$48 814 601	$48 814 601

5. Major repairs under way

The gouvernement du Québec has authorized the Société to incur certain expenditures to renew and improve technical and stage equipment, and for renovations, rearrangement and major repairs to movable and immovable assets and to installations. The cost of this work is estimated at $21.2 million, not including interim financing charges, and was expected to extend over a period of five years, ending in 1987. During the 1985 fiscal year, part of the work was financed by an issue of bonds for $6 million. The long-term financirg conditions for the balance of these major repairs have not been determined.

	1987	1986
Opening balance	$19 647 256	$13 774 370
Work completed and financial charges posted during the year	2 267 360	5 872 886
Closing balance	$21 914 616	$19 647 256
This item is composed of:		
Cost of major repairs under way	18 742 299 $	17 658 846 $
Interim financing charges	3 172 317	1 988 410
	21 914 616 $	19 647 256 $

At September 2, 1987, the cost of work to be completed totalled approximately $2.2 million.

6. Long-term debt relating to fixed assets

	1987	1986
Bonds guaranteed by the gouvernement du Québec		
Issued April 15, 1965 - $18 200 000, 5.75% sinking fund bonds maturing April 15, 2005	$12 138 000	$12 138 000
Issued June 1, 1966 - $13 000 000, 6.25% in series, maturing from 1967 to 1991	1 250 000	1 519 000
6.25% sinking fund bonds as of June 1, 1992 maturing June 1, 2006	8 392 000	8 392 000
	9 642 000	9 911 000
Issued November 6, 1980 - $13 700 000, 12.50% and 13% in series, maturing from 1981 to 1990	3 000 000	3 000 000
13.50% sinking fund bonds as of November 6, 1986, maturing November 6, 2000	4 000 000	4 000 000
	7 000 000	7 000 000
	28 780 000	29 049 000
Less:		
Sinking fund	552 508	462
	$28 227 492	$29 048 538

The amount of principal repayments over the next five years under redemption and sinking fund clauses of the bonded debt is as follows:

1987-1988	$856 000
1988-1989	901 000
1989-1990	947 000
1990-1991	3 997 000
1991-1992	1 050 000

During the year, the sinking fund increased following the gouvernement du Québec contribution of $545 000 and $7 046 in accumulated interest. Consequently, the fund balance at year-end totalled $552 508 $.

This fund is composed of interest-bearing deposits in a financial institution.

7. Long-term debt relating to major repairs under way

	1987	1986
Bonds guaranteed by the gouvernement du Québec		
Issued February 19, 1985 - $6 000 000, 12%, 12.20% and 12.25% in series, maturing from 1994 to 2003 and 2005	$6 000 000	$6 000 000
Bank advances less cash	14 418 653	12 904 502
Accounts payable and accrued expenses	159 698	221 701
	$20 578 351	$19 126 203

The debt relating to major repairs under way is considered a long-term debt given that repayment is being financed with a long-term debt.

No payment of principal has to be made for the next five years by virtue of the redemption and amortization clauses of the bonded debt.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at September 2, 1987

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8. Net financial charges (revenue)

	1987	1986
Interest on bonds	$2 977 973	$3 365 150
Interest on bank loans and advances	1 393 669	1 323 685
	4 371 642	4 688 835
Interest capitalized to construction in progress	(192 398)	(87 426)
Capitalized interest for major repairs under way	(1 183 907)	(1 193 936)
Interest earnings	(76 864)	(22 030)
	2 918 473	3 385 443
Less:		
Subsidy from the gouvernement du Québec -- Interest on bonds	2 977 973	3 365 150
	$(59 500)	$20 293

9. Compensation in lieu of taxes assumed by the gouvernement du Québec

Pursuant to the provisions of the Act respecting municipal taxation, buildings belonging to the Société are exempt from all property, municipal and school tax. Under the Act, the gouvernement du Québec paid the City of Montréal compensation in lieu of taxes in the amount of $6 395 860 for the 1986 calendar year with respect to buildings belonging to the Société.

10. Subsequent event

In a letter dated September 8, 1987, the Minister of Cultural Affairs instructed the Société to earmark $500 000 of its surplus for the year ended September 2, 1987 for the creation of a budgetary reserve to be used for production.

The Société created a production fund on October 13, 1987.

11. Comparative figures

Certain figures from 1986 have been reclassified for consistency with the presentation adopted in 1987.

AUDITOR'S REPORT

I have examined the balance sheet of the Société de la Place des Arts de Montréal as at September 2, 1987 and the statements of revenue and expenditure and equity for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at September 2, 1987 and the results of its operations for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, November 6, 1987

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT FORESTIERS DU QUÉBEC -- REXFOR
R.S.Q., c. S-12

CONSOLIDATED STATEMENT OF OPERATING RESULTS AND RETAINED EARNINGS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING REVENUE (Note 12)	157 899	155 214
COST OF OPERATIONS	151 697	145 696
GROSS PROFIT	6 202	9 518
Sales and administrative expenses	9 750	10 600
Financial charges (Note 13)	3 871	4 189
Investment earnings (Note 14)	(12 581)	(7 936)
Miscellaneous expenditure (revenue)	39	(571)
	1 079	6 282
PROFIT BEFORE THE FOLLOWING ITEMS	5 123	3 236
Income tax credits (Note 15)	1 459	670
Gain on the sale of investments	4 510	
Minority interests	104	1 010
PROFIT BEFORE EXTRAORDINARY ITEM	11 196	4 916
EXTRAORDINARY ITEM		
Share of gain from the sale of a division of a company subject to significant influence, less attendant income tax	4 399	
Other		(291)
	4 399	(291)
NET PROFIT	15 595	4 625
OPENING RETAINED EARNINGS	7 083	2 458
CLOSING RETAINED EARNINGS	22 678	7 083

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT FORESTIERS DU QUÉBEC -- REXFOR

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION

for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING ACTIVITIES		
Profit before extraordinary item	11 196	4 916
Items not affecting liquid assets		
Depreciation	4 131	4 331
Profit on the disposal of asset	(4 720)	(354)
Participation in the results of companies subject to significant influence	(5 426)	(2 753)
Minority interests	(104)	(1 010)
Deferred income tax	(1 476)	(380)
Other	(315)	(532)
Funds generated by operations	3 286	4 218
Change in current assets and liabilities other than liquid assets	(6 189)	15 325
Funds (absorbed) generated by operating activities	(2 903)	19 543
FINANCING ACTIVITIES		
Issue of capital stock	2 500	27 000
Addition to the long-term debt	7 068	8 327
Government assistance received	49	1 513
Minority interests	12	4
	9 629	36 844
Repayment of long-term debt	(2 983)	(5 557)
Funds generated by financing activities	6 646	31 287
INVESTMENT ACTIVITIES		
Acquisitions:		
Fixed assets	(8 013)	(7 827)
Investments	(8 987)	(35 519)
Other assets	(722)	(864)
Liquid assets obtained in excess of the cost of acquisition of a subsidiary		1 899
	(17 722)	(42 311)
Proceeds from disposals:		
Fixed assets	163	1 123
Investments	23 079	1 970
Other assets		785
Disposal of a subsidiary including its bank indebtedness		5 206
	23 242	9 084
Funds generated (absorbed) by investment activities	5 520	(33 227)
INCREASE IN LIQUID ASSETS DURING THE YEAR	9 263	17 603
BANK INDEBTEDNESS -- OPENING BALANCE	(2 072)	(19 675)
BANK INDEBTEDNESS -- CLOSING BALANCE	7 191	(2 072)

The Société's liquid assets include cash and term deposits less bank advances.

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT FORESTIERS DU QUÉBEC -- REXFOR

CONSOLIDATED BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	17 736	5 579
Accounts receivable and accrued interest	13 658	8 501
Subsidies and tax credits receivable	229	1 175
Inventories (Note 4)	24 712	18 694
Prepaid expenses	612	537
Payments receivable on investments (Note 5)	44	2 555
	56 991	37 041
INVESTMENTS (Note 5)	99 794	96 142
FIXED ASSETS (Note 6)	53 644	51 315
OTHER ASSETS (Note 7)	2 248	2 620
	212 677	187 118
LIABILITIES		
CURRENT LIABILITIES		
Bank advances (Note 8)	10 545	7 651
Accounts payable and accrued expenses	14 250	11 267
Payments on long-term debt (Note 9)	1 214	1 399
	26 009	20 317
LONG-TERM DEBT (Note 9)	37 525	33 274
DEFERRED GOVERNMENT ASSISTANCE	12 864	13 830
DEFERRED INCOME TAXES		1 421
MINORITY INTERESTS	1 174	1 266
	77 572	70 108
SHAREHOLDER EQUITY		
CAPITAL STOCK (Note 10)		
Authorized: 1 250 000 shares with a par value of $100 each		
Issued and fully paid: 1 075 000 shares (1987: 1 050 000 shares)	107 500	105 000
CONTRIBUTED SURPLUS (Note 11)	4 927	4 927
RETAINED EARNINGS	22 678	7 083
	135 105	117 010
	212 677	187 118

COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)
SUBSEQUENT EVENT (Note 18)

On behalf of the Board of Directors,

Magdi Sayegh
Robert C. Darveau

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

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1. Constitution and purpose

The Société de récupération, d'exploitation et de développement forestiers du Québec - REXFOR is a joint-stock company all of whose shares are held by the gouvernement du Québec. Under its Act of incorporation, REXFOR is responsible for:

- forestry reclamation and operations in areas of the public domain the government allots to it, and carrying out or directing the necessary research work;
- restoration, using appropriate sylvicultural techniques, conservation and protection of forests and land designated for forestry purposes, as indicated by the government;
- promoting the development of the forest industry and the creation of new jobs.

2. Accounting policies

REXFOR's consolidated financial statements are based on management's best estimates and judgment, and have been prepared in accordance with generally accepted accounting principles applied on the basis of the following accounting policies:

Consolidation

The consolidated financial statements include the accounts of REXFOR, those of its subsidiaries and the share of each asset, liability, revenue and expenditure item of joint ventures.

Wholly-owned subsidiaries:

Proforêt Inc. and its subsidiaries
Les Produits forestiers Bellerive Ka'N'Enda Inc.
Énerbois Inc.
Gestion 1195 Inc.
Les Entreprises Matabois Ltée
2168-3768 Québec Inc.
Énerpan Inc.

Other subsidiary:

Lignarex Inc. (61% interest)

Joint ventures:

Scierie des Outardes Enr.
Scierie Grand Remous Enr.

Inventories

Lumber, supplies and fuel are valued at the lesser of cost, using the FIFO method or average cost, and net realization or replacement value.

Cost includes raw materials, direct labour and general processing charges, less the net realization value of by-products, where applicable.

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT
FORESTIERS DU QUÉBEC -- REXFOR

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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2. **Accounting policies** (cont'd)

Investments

REXFOR records investments at equity value when its holdings of securities with voting rights of an issuing company enable it to exercise a significant influence over the financial and administrative decisions of the company.

Interests in limited partnerships are also recorded at equity value.

Other investments are recorded at acquisition cost less any permanent loss in value. The provision for losses on loans and advances is established on a case-by-case basis.

Fixed assets

Fixed assets are recorded at acquisition cost. The cost of fixed assets built by REXFOR for its own use includes the cost of materials, direct labour, part of general expenses and financial charges incurred during construction.

Depreciation is calculated using the straight-line method. The following rates are used, varying according to the service life of the asset. However, during temporary shutdown of mills or forestry divisions, depreciation is not charged on fixed assets directly related to production.

	Rates
Land development	from 2.50% to 10.00%
*Logging roads	from 10.00% to 33.33%
Buildings and logging camps	from 2.50% to 33.33%
Machinery and equipment	from 6.67% to 20.00%
Computer hardware	20.00%
Rolling stock	from 10.00% to 33.33%

*Some subsidiaries charge depreciation on logging roads according to the volume cut during the year compared with the total volume to be cut.

Other assets

Start-up and software development costs are amortized at 20% annually on the straight-line basis. The cost of preliminary studies of various projects is deferred and subsequently charged to operations or capitalized, based on the results of the studies.

The excess of the price paid for shares over the book value of the net assets acquired is amortized in operations over 20 years.

Land, buildings, machinery and equipment for resale are valued at the lesser of amortized cost and net realization value.

Deferred government assistance

Subsidies for the acquisition of fixed assets and job creation are recorded as deferred government assistance and shown as a liability. Subsidies for the acquisition of fixed assets are transferred to results using the same method and rates as the subsidized fixed assets. Subsidies related to job creation are transferred to results as the conditions placed on the subsidies are met.

Foreign exchange translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars using the rate in effect on the date of the balance sheet. Unrealized gains or losses on foreign exchange are charged to operations for the year.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

3. Proportionate consolidation of joint ventures

At March 31, 1988, the REXFOR share of assets, liabilities, revenue and expenditure of the joint ventures Scierie des Outardes Enr. and Scierie Grand Remous Enr. recorded using the proportionate consolidation method, breaks down as follows:

	1988	1987
Assets	27 329	25 802
Liabilities	24 146	23 027
Revenue	49 750	48 393
Expenditure	49 342	47 661

4. Inventories

	1988	1987
Wood chips	17 933	11 426
Lumber	4 639	5 173
Other wood	402	396
Supplies and fuel	1 733	1 699
	24 712	18 694

5. Investments

	1988	1987
At equity value		
Holding in limited partnership	3 000	3 000
Share of retained earnings since date of acquisition	2 586	2 141
	5 586	5 141
Holding in companies subject to significant influence	72 908	72 177
Share of retained earnings since date of acquisition	8 818	5 939
	(a) 81 726	78 116
	87 312	83 257
At cost of acquisition		
Preferred shares	108	108
Mortgage loans	145	145
Bonds and debentures	11 534	11 082
Loans and advances		
with interest	112	211
without interest	700	2 125
Term deposits		2 000
Other	46	39
	12 645	15 710
Provision for losses on loans and advances	119	270
	12 526	15 440
	99 838	98 697
Instalments receivable within the next year	44	2 555
	99 794	96 142

(a) This amount includes an investment recorded at $17 000 000 with a market value of $23 436 000.

6. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Land and development	2 365	300	2 065	2 149
Logging roads	4 403	2 222	2 181	2 339
Buildings and logging camps	16 562	4 904	11 658	11 230
Machinery and equipment	46 943	14 377	32 566	29 179
Computer hardware	1 114	722	392	554
Rolling stock	5 083	2 876	2 207	2 435
Construction in progress	2 265		2 265	3 285
	78 735	25 401	53 334	51 171
Fixed assets held under capital lease contracts:				
Machinery and equipment	106	6	100	
Rolling stock	254	44	210	144
	79 095	25 451	53 644	51 315

Depreciation on fixed assets for the year amounts to $4 246 000 ($4 296 000 in 1986-1987) after deducting the amortization of deferred government assistance of $942 000 ($973 000 in 1986-1987).

7. Other assets

	1988	1987
Start-up costs - at amortized value	415	383
Computer software development expenses - at amortized cost	346	427
Cost of preliminary studies for investment projects	423	762
Excess of purchase price of shares over book value of net assets acquired - at amortized cost	367	391
Land, buildings, machinery and equipment for resale	62	62
Deposit - Commission de la santé et de la sécurité du travail	510	510
Other	125	85
	2 248	2 620

8. Bank advances

Accounts receivable and inventory are pledged as security for certain bank advances.

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT FORESTIERS DU QUÉBEC -- REXFOR

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

9. Long-term debt

	1988	1987
Rexfor		
Advances from the gouvernement du Québec:		
- Interest-free to finance the accord reached August 17, 1971 with Les Industries I.T.T. du Canada Ltée, payable between 1997 and 2000: Balance of advances amounting to $13 680 000, present value at a rate of 11.5% per year	4 128	3 702
- With interest capitalized at the prime rate plus 1%, no repayment terms	3 152	2 885
- With interest at the prime rate plus ½%		1 706
Other		
- Loan, variable interest rate, repayable April 30, 1991	7 500	7 500
Gestion 1195 Inc.		
- Mortgage loans, 11 3/4%, repayable by monthly instalments of $22 000 including principal and interest, maturing September 1, 1990	2 022	2 056
Énerbois Inc.		
- Banker's acceptance, 8.50%, repayable by minimum annual instalments of $300 000, based on a ten-year amortization period	400	700
Les Produits forestiers Bellerive-Ka'N'Enda Inc.		
- Rotating credit, interest at prime rate, renewable annually beginning April 1990 or convertible into term loan bearing interest at prime rate plus ¼% the first two years and 3/8% thereafter, repayable in 60 equal, consecutive monthly instalments, secured by first mortgage bond	1 560	1 729
Scierie des Outardes Enr.		
- Two-year rotating credit, renewable annually for an additional year, possibility of repayment over five years, at prime lenders rate	7 200	7 200
- Special revolving credit, prime rate, renewable annually	720	720
Scierie Grand Remous Enr.		
- Loan, variable interest rate, repayable by quarterly instalments of $150 000, maturing in 1992	2 700	3 300
Proforêt Inc.		
- Banker's acceptances, basic rate, renewable annually	6 000	2 000
Énerpan inc.		
- Term loan, variable interest rate, repayable by quarterly instalments of $69 000 beginning October 30, 1989	2 200	
Other - Less than $500 000	1 157	1 175
	38 739	34 673
Payments due within the next fiscal year	1 214	1 399
	37 525	33 274

Certain assets are pledged as security for bank loans.

Principal repayments over the next five years are as follows:

1988-1989 -- $1 214 000, 1989-1990 -- $1 094 000, 1990-1991 -- $3 001 000, 1991-1992 -- $8 376 000, 1992-1993 -- $575 000.

10. Capital stock

During the year, the Société received $2 500 000 as payment for 25 000 shares, bringing its issued and fully paid capital stock to $107 500 000.

The balance of the authorized capital stock as yet unsubscribed, $17 500 000, will be paid in one or more instalments with the prior approval of the Government under terms it will set.

11. Contributed surplus

Contributed surplus essentially represents the forgiveness, on June 20, 1973, of advances made by the gouvernement du Québec.

12. Exports

Operating revenue includes the following export sales:

	1988	1987
To the United States	11 373	20 367
To Europe	21 034	13 645
	32 407	34 012

13. Financial charges

	1988	1987
Interest on the long-term debt	3 029	3 448
Other interest	842	741
	3 871	4 189

14. Investment earnings

	1988	1987
Interest on cash and term deposits	866	156
Interest on loans, advances and bonds	3 243	2 852
Share of profits of a limited partnership and companies subject to significant influence	8 472	4 828
Dividend		250
	12 581	8 086
Increase in the provision for losses on loans and advances		150
	12 581	7 936

15. Income tax credits

Income tax credits for the 1988 fiscal year consist of $1 459 000 in tax credits relating to a tax loss on subsidiary operations.

16. Commitments and contingent liabilities

- REXFOR has signed a supply contract with one of its companies subject to significant influence for 426 000 cubic metres per year for the next six years.

- REXFOR is being sued for an amount of $2 600 000 in damages concerning its withdrawal of an offer to purchase the assets of a group of companies. A court decision was rendered in favour of REXFOR; however, the decision has been appealed.

- REXFOR has received a legal claim for $1 400 000 from a contractor concerning a clean-up of debris in the head-bay of the Outardes river.

16. Commitments and contingent liabilities (cont'd)

- REXFOR was sentenced under a Superior Court decision to pay $20 000 plus attendant interest which was paid in April 1988. The plaintiff has appealed this decision.
- Under the terms of an agreement, a subsidiary has undertaken to purchase on demand, starting April 1, 1990, all the shares held by its partner in a firm at a price equal to the amount paid in March 1985, $1 000 000, increasing at an annual rate compounded monthly equal to the rate required by a financial institution plus 5/8%.
- A subsidiary has filed a lawsuit for $2 100 000 against third parties following a fire at one of its division's plants in 1985.
- Under a financing arrangement with a company subject to significant influence, REXFOR has agreed to invest in this company such amounts as are needed to cover 50% of the excess of the anticipated cost of restarting a plant, up to $5 000 000.
- A subsidiary was named joint guarantor with one of its companies subject to significant influence for bonds subject to a letter of credit for $2 000 000 issued by a financial institution.

17. Eventual tax benefit

A subsidiary has unrecorded investment tax credits of $6 745 000.

18. Subsequent event

After withdrawing $6 500 000 of its capital invested in a joint venture, REXFOR in April 1988 sold its investment in this company for a minimum consideration of $2 250 000 and maximum $4 500 000, payable in annual instalments over five years beginning the fiscal year ending March 31, 1990. The annual instalments, maximum $900 000 each, will be determined based on the average real price of sawn timber per cubic metre sold by the joint venture. However, the buyer guarantees minimum payment of $2 250 000 in cumulative minimum amounts of $450 000 a year.

During the next fiscal year, REXFOR will record a gain of $7 380 000 on the disposal of this investment, and any amount recovered over and above the minimum $2 250 000 will be posted to operating results for the fiscal year during which it was received.

19. Related party transactions

During the year, REXFOR and its subsidiaries engaged in transactions in the normal course of business with companies over which they exercise significant influence. These related party transactions include operating revenue of $18 141 000, operating costs of $451 000, investment income of $1 760 000 and miscellaneous income of $81 000.

SOCIÉTÉ DE RÉCUPÉRATION, D'EXPLOITATION ET DE DÉVELOPPEMENT FORESTIERS DU QUÉBEC -- REXFOR

AUDITOR'S REPORT

I have examined the consolidated balance sheet of the Société de récupération, d'exploitation et de développement forestiers du Québec - REXFOR as at March 31, 1988 and the consolidated statements of operating results, retained earnings and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 2, 1988

SOCIÉTÉ DES ALCOOLS DU QUÉBEC
R.S.Q., c. S-13

OPERATING RESULTS
for the 52-week fiscal period ended March 26, 1988
(in thousands of dollars)

	1988	1987
SALES (note 2)	1 007 665	948 354
OPERATING EXPENSES		
Cost of goods sold	468 156	427 167
Sales and promotions		
Distribution and administration	159 422	150 341
	627 578	577 508
PROFIT BEFORE INTEREST AND DEPRECIATION	380 087	370 846
Interest on short-term borrowings	2 951	3 193
Interest relating to commitment under capital lease contract	1 688	1 704
Depreciation on fixed assets	4 963	4 871
Depreciation on building leased under capital lease contract	407	407
	10 009	10 175
NET PROFIT	370 078	360 671

RETAINED EARNINGS
for the 52-week fiscal period ended March 26, 1988
(in thousands of dollars)

	1988	1987
OPENING BALANCE	1 555	1 884
Net profit	370 078	360 671
	371 633	362 555
Dividend to the Minister of Finance	371 000	361 000
CLOSING BALANCE	633	1 555

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the 52-week fiscal period ended March 26, 1988
(in thousands of dollars)

	1988	1987
OPERATIONS		
Net profit	370 078	360 671
Items involving no change in liquid assets:		
Depreciation	5 370	5 278
Increase in the reserve for accumulated sick leave credit	500	500
	375 948	366 449
Net change in working capital items that do not constitute liquid assets	(30 135)	(4 435)
Dividend	(371 000)	(361 000)
Liquid assets generated (absorbed) by operations	(25 187)	1 014
INVESTMENT		
Purchase of fixed assets	(7 432)	(3 306)
Sale of fixed assets	77	110
Liquid assets absorbed by investment	(7 355)	(3 196)
FINANCING		
Repayment of commitment under a capital lease contract, liquid assets absorbed by financing	(124)	(111)
DECREASE IN LIQUID ASSETS	(32 666)	(2 293)
DEFICIENCY IN LIQUID ASSETS -- OPENING BALANCE	(73 548)	(71 255)
DEFICIENCY IN LIQUID ASSETS -- CLOSING BALANCE (Note 3)	(106 214)	(73 548)

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

BALANCE SHEET
as at March 26, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Term deposits		6 000
Accounts receivable	17 134	13 487
Inventories, at the lesser of cost and net realization value	129 638	106 575
Expenses charged to next fiscal year	8 378	6 576
	155 150	132 638
FIXED ASSETS (Note 4)	45 501	43 109
BUILDING LEASED UNDER A CAPITAL LEASE CONTRACT (Note 5)	11 803	12 210
	212 454	187 957
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft and term notes	106 214	79 548
Accounts payable and accrued expenses	43 792	45 401
Dividend	6 000	6 000
	156 006	130 949
PROVISION FOR ACCUMULATED SICK LEAVE	10 600	10 100
COMMITMENT UNDER CAPITAL LEASE CONTRACT (Note 6)	15 215	15 353
	181 821	156 402
SHAREHOLDER EQUITY		
CAPITAL STOCK		
Authorized		
300 000 shares with a par value of $100 each		
Issued and paid up		
300 000 shares	30 000	30 000
RETAINED EARNINGS	633	1 555
	30 633	31 555
	212 454	187 957

CONTINGENT LIABILITY (Note 7)

On behalf of the Board of Directors,

Alain Cousineau, Director
Pierrette Roussin, Director

NOTES TO FINANCIAL STATEMENTS
at March 26, 1988

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1. Main accounting policies

Inventories

The FIFO method is used to calculate the cost of inventories.

Fixed assets

Depreciation on fixed assets is calculated using the straight-line method, except for depreciation on rolling stock, which is calculated using the diminishing balance method. The following rates are used:

Buildings	2.5% and 10%
Furniture and equipment	rate varying between 2.8% and 50%
Rolling stock	rate varying between 20% and 30%
Leasehold improvements	according to the term of the lease
Paving and parking	8%

Building leased under a capital lease contract

Depreciation is calculated using the straight-line method, at 2.5%.

2. Sales

	1988	1987
	(in thousands of dollars)	
Authorized distributors		
Sales	190 511	176 015
Discounts	(28 846)	(26 576)
	161 665	149 439
Branches		
Sales	846 000	798 915
	1 007 665	948 354

3. Deficiency in liquid assets

	1988	1987
	(in thousands of dollars)	
The deficiency in liquid assets is made up of:		
Term deposits		6 000
Bank overdraft and term notes	(106 214)	(79 548)
	(106 214)	(73 548)

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 26, 1988

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4. Fixed assets

	Cost	Accumulated depreciation	Undepreciated cost 1988	Undepreciated cost 1987
	(in thousands of dollars)			
Land	6 399		6 399	6 399
Buildings	15 292	4 485	10 807	7 828
Furniture and machinery	56 068	32 967	23 101	24 095
Rolling stock	2 656	2 160	496	248
Leasehold improvements	12 724	8 765	3 959	3 851
Paving and parking lots	1 003	264	739	688
	94 142	48 641	45 501	43 109

5. Building leased under a capital lease contract

	Gross value	Accumulated depreciation	Undepreciated value 1988	Undepreciated value 1987
	(in thousands of dollars)			
Building	16 280	4 477	11 803	12 210

6. Commitment under a capital lease contract

	1988	1987
	(in thousands of dollars)	
Commitment concerning the lease of a building, payable until April 11, 2012 by monthly instalments of $151 658, including interest calculated at 11%	15 353	15 477
Payments falling due within the next fiscal year	138	124
	15 215	15 353

Payment due in subsequent years:

	Principal	Interest	Total
	(in thousands of dollars)		
1989	138	1 682	1 820
1990	154	1 666	1 820
1991	172	1 648	1 820
1992	191	1 629	1 820
1993	214	1 606	1 820
1994 -- 2012	14 484	20 149	34 633
	15 353	28 380	43 733

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7. Contingent liability

As a result of the cancellation of the proposed privatization of a number of branches in its network, the Société des alcools du Québec has been served with notices claiming, among other things, possession of certain branches. In some cases, lawsuits have been filed claiming possession of certain branches involved and/or money as compensation for loss or damage.

With regard to these lawsuits, should it be necessary to settle claims whose amounts are impossible to specify, the resulting loss would be charged to operating results for the then current year.

8. Pension plan

An actuarial valuation of liabilities resulting from services prior to December 31, 1975 has been set at $8.8 million. The Société des alcools du Québec began reimbursing the Commission administrative du régime de retraite des fonctionnaires du Québec for this amount plus attendant interest, in 23 consecutive yearly instalments of approximately $10.3 million each, on December 31, 1978.

9. Commitments

Under the terms of operating leases, the Société has agreed to pay a total of $53 million to lease branches and certain warehouses. Payments for the next five years are as follows:

	(in thousands of dollars)
1989	13.4
1990	9.9
1991	8.8
1992	7.2
1993	5.0

10. Comparative figures

The presentation of certain items from the previous fiscal year has been altered for consistency with that of the current year.

AUDITORS' REPORT

Mr. Gérard D. Levesque
Minister of Finance
Shareholder of the
Société des alcools du Québec

We have examined the statements of operating results, retained earnings and change in financial position of the Société des alcools du Québec for the 52-week period ended March 26, 1988 and the balance sheet at that date. We obtained all the information and explanations we requested. Our examination was made in accordance with generally accented auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, based on the information and explanations we received and that shown on the books of the Société des alcools du Québec, these financial statements present fairly the results of the company's operations and the change in its financial position for the 52-week period ended March 26, 1988 and its financial position at that date, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Maheu Noiseux,
Chartered Accountants

Montréal, April 27, 1988

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC
R.S.Q., c. S-13.01

OPERATING RESULTS
for the fiscal period from June 1, 1987 to May 31, 1988
(in thousands of dollars)

	1988	1987
GROSS REVENUE (Appendix B)	25 554	19 019
DIRECT EXPENDITURE (Appendix A)	22 859	17 313
OPERATING PROFIT (Appendix A)	2 695	1 706
OTHER EXPENDITURE		
Interest on long-term debt	(1 455)	(495)
Head Office expenses (Appendix C)	(2 565)	(2 049)
	(4 020)	(2 544)
LOSS BEFORE DEPRECIATION, EXTRAORDINARY ITEM AND SUBSIDY	(1 325)	(838)
Depreciation (Note 6)	(2 160)	(1 592)
Subsidy revenue (Appendix D)	182	926
LOSS BEFORE EXTRAORDINARY ITEM	(3 303)	(1 504)
EXTRAORDINARY ITEMS (Note 13)	(530)	427
NET LOSS FOR THE YEAR	(3 833)	(1 077)

DEFICIT
for the fiscal period from June 1, 1987 to May 31, 1988
(in thousands of dollars)

	1988	1987
OPENING DEFICIT	2 214	1 137
Plus:		
Net loss	3 833	1 077
CLOSING DEFICIT	6 047	2 214

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal period from June 1, 1987 to May 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING ACTIVITIES		
Loss before extraordinary item	(3 303)	(1 504)
Operating item not affecting liquid assets:		
Depreciation on fixed assets	2 160	1 592
Net change in other items (Note 14)	3 185	(1 735)
	2 042	(1 647)
FINANCING ACTIVITIES		
Issue of capital stock	1 000	913
Increase in the long-term debt	11 099	10 860
Decrease in the long-term debt	(360)	(509)
	11 739	11 264
INVESTMENT ACTIVITIES		
Fixed assets transferred		(913)
Acquisition of fixed assets	(10 682)	(9 995)
Proceeds from disposal	258	902
Costs related to development of a ski village at the bottom of Mont Ste-Anne	(3 057)	
	(13 481)	(10 006)
NET INCREASE (DECREASE) IN LIQUID ASSETS	300	(389)
OPENING LIQUID ASSETS	26	415
CLOSING LIQUID ASSETS	326	26

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

BALANCE SHEET
as at May 31
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	326	26
Accounts receivable (Note 3)	832	861
Inventories (Note 4)	616	505
Short-term investments (Note 5)	1 994	2 754
Expenses deferred to next fiscal year	1 333	831
	5 101	4 977
FIXED ASSETS (Note 6)	43 779	36 045
OTHER ASSETS (Note 7)	3 057	
	51 937	41 022
LIABILITIES		
SHORT-TERM DEBT		
Accounts payable and accrued expenses (Note 8)	3 246	2 782
Customer deposits	3 039	1 497
Owed on the purchase of exclusive commercial rights (Note 9)	1 074	
Subsidies received in advance (Appendix D)		71
Long-term debt maturing during the next fiscal year (Note 10)	551	557
	7 910	4 907
LONG-TERM DEBT (Note 10)	20 786	10 041
	28 696	14 948
NET WORTH		
Capital stock (Note 11)	29 288	28 288
Deficit	(6 047)	(2 214)
	23 241	26 074
	51 937	41 022

CONTRACTUAL COMMITMENTS (Note 12)

On behalf of the Board of Directors,

Paul Berthiaume, Director
Michel Noël de Tilly, Director

NOTES TO FINANCIAL STATEMENTS
at May 31, 1987
(in thousands of dollars)

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1. Incorporation and nature of activities

The Société was founded under the Act respecting the Société des établissements de plein air du Québec (R.S.Q., c. S-13.01), which was passed on December 21, 1984.

Establishments managed by the Société have been grouped as follows for the purpose of presenting operating results for the year:

	1988	1987
Parc du Mont Sainte-Anne	X	X
Réserve de l'Île d'Anticosti	X	X
Réserve faunique des Laurentides	X	
Réserve faunique de La Vérendrye		
Le Domaine (fishing and concession)	X	X
La Réserve faunique (hunting)	X	
Salmon rivers -- Gaspésie		
Rivière St-Jean	X	
Rivière Matapédia	X	
Rivière Patapédia	X	
Manoir Montmorency	X	X
Auberge de Fort Prével	X	X
Gite du Mont-Albert		
Gite du Mont-Albert	X	
Camping du Mont-Albert	X	
Rivière Ste-Anne	X	
Village historique de Val-Jalbert	X	
Tourist centres (campgrounds)		
Amqui (sold in June 1987)		X
Baie de Percé	X	X
Coteau Landing (sold in June 1987)		X
Côte Ste-Catherine (sold in May 1988)	X	X
Fort Témiscamingue	X	X
Kénogami	X	X
Pointe des Cascades (sold in June 1987)		X
Stoneham (sold in June 1987)		X
Parc des Voltigeurs	X	X

2. Accounting policies

a) Valuation of inventories

Inventories are valued at the lesser of cost (average cost method) and net realization value.

b) Fixed assets and depreciation

Fixed assets are recorded at acquisition cost, except those which were transferred to the Société by Order-in-Council in 1985-1986 and 1986-1987.

The overall worth of assets transferred to the Société breaks down as follows:

- establishments recording a deficit have been disposed of for a nominal fee, except for the Val Jalbert site, whose property value has been established at the municipal value;
- the value of the remaining facilities is based on the net revenue generated, on the basis of a block sale.

Depreciation of fixed assets is calculated using the straight-line method at the following rates (except for the year of acquisition, when half that rate is applied regardless of the date of acquisition):

Buildings, ski trails and artificial snow making (including infrastructures and access roads)	4%

2. Accounting policies (cont'd)

Mechanical lifts, including installation	5%
Rolling stock, including heavy machinery used on the mountain	14% to 20%
Furniture, equipment and leasehold improvements	20%
Mechanical lifts leased under a capital lease contract	5%

The costs related to the development going on at the bottom of Mont Ste-Anne are amortized using the straight-line method over a period of fifteen years beginning the year the village at the foot of the Mont Ste-Anne ski slopes opened.

c) Income taxes

Under its Act of incorporation, Société shares are assigned to the Minister of Finance of Québec, so that it is not subject to income tax.

d) Pension plan

The Société's regular employees are covered by the retirement plan for Government and Public Sector Employees (RREGOP). The Société's contribution has been set by the Commission administrative des régimes de retraite et d'assurances du Québec and covers current service. There has been no actuarial valuation for Société employees.

3. Accounts receivable

	1988	1987
Customers	663	525
Other accounts receivable	169	336
	832	861

4. Inventories

	1988	1987
Supplies and spare parts	486	385
Food and beverages	104	53
Stationery and miscellaneous	26	67
	616	505

5. Short-term investments

	1988	1987
Treasury Board notes and bank acceptances, bearing interest at rates between 7.5% and 8.5%, maturing within 90 days	994	2 754
Term deposits, 7.75%, maturing July 4, 1988	1 000	
	1 994	2 754

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at May 31, 1988
(in thousands of dollars)

6. Fixed assets

	Balance at 31-05-87	Acquisitions	Disposals	Net value at 31-05-88
Cost and transferred value				
Land	5 476	15	471	5 020
Buildings, ski trails and infrastructures	11 030	4 987	302	15 715
Mechanical lifts	1 951	433		2 384
Artificial snow making	12 609	834		13 443
Rolling stock	1 515	330		1 845
Furniture, equipment and leasehold improvements	1 747	586	49	2 284
Work in progress	298	260		558
	34 626	7 445	822	41 249
Goods rented under capital lease contracts				
Equipment and mechanical lifts	4 146	2 963		7 109
Rolling stock		274		274
	4 146	3 237		7 383
Total cost	38 772	10 682	822	48 632
Cumulated depreciation				
Cost and transferred value	2 619	1 862	34	4 447
Goods rented under capital lease contracts	108	298		406
	2 727	2 160	34	4 853
Net value	36 045	8 522	788	43 779

7. Other assets

	1988	1987
Costs related to the development going on at the bottom of the Mont Ste-Anne ski slopes		
Purchase of exclusive commercial rights	3 000	
Fees and miscellaneous	57	
	3 057	

NOTES TO FINANCIAL STATEMENTS (cont'd)
at May 31, 1988
(in thousands of dollars)

8. Accounts payable and accrued expenses

	1988	1987
Accounts payable	1 025	1 318
Accrued expenses	1 526	699
Accrued salaries and deductions at source payable	695	765
	3 246	2 782

9. Owed on the purchase of exclusive commercial rights

	1988	1987
Under the exclusive rights purchase contract, the seller is committed to erecting a new ski chalet at the foot of the Parc du Mont-Sainte-Anne ski slopes; an amount of $1 000 was withheld and will be paid with interest when the new chalet is completed	1 074	

10. Long-term debt

	1988	1987
Mortgage loan on the Parc du Mont Sainte-Anne ski resort, at an initial amount of $6 608, payable in increasing instalments over 25 years, with interest set for five years at an average rate of 10.10%, maturing in 2012	6 348	6 608
Mortgage loan on the Centre skiable du Parc du Mont Ste-Anne, of an initial amount of $4 300, repayable in semi-annual instalments of $86, amortized over a period of 25 years, with interest equal to the prime rate maturing in 2013	4 300	
Owed under capital lease contracts, of initial amounts totalling $7 638, guaranteed by mechanical lifts and other equipment rented under such contracts, payable over 14 years, repayable in monthly instalments totalling $89, principal and interest, at an effective rate varying from 9.86% to 11.5%, maturing from 2000 until 2003.	7 463	3 757
Bond of the city of Beaupré, bearing interest at 5 3/8%, payable in annual instalments of $7, maturing in 2006	226	233
Owed the Minister of Finance, without interest, repayable beginning 1990 out of royalties collected on commercial activities at the foot of the Mont-Sainte-Anne ski slopes	3 000	
	21 337	10 598
Portion due during the coming year	551	557
	20 786	10 041

10. Long-term debt (cont'd)

Repayment of principal on the long-term debt payable over the next five years breaks down as follows:

1989	551
1990	1 451
1991	1 559
1992	1 600
1993	1 645

Minimum payments over the next five years under the capital lease contract break down as follows:

1989	1 177
1990	1 161
1991	1 158
1992	1 158
1993	1 158

11. Capital stock

	1988	1987
Authorized:		
Under its Act of incorporation, the Société is authorized to issue, to the Minister of Finance, 750 000 common voting shares with a par value of $100		75 000
Issued:		
Issued as payment for the transfer of assets		
June 1985 - 251 000 shares	25 100	25 100
May 1987 - 9 130 shares	913	913
Issued and paid for in cash - 32 750 shares (1987 - 22 750)	3 275	2 275
	29 288	28 288

12. Contractual commitments

The Société is bound to a five-year lease, beginning July 1985. The balance of this commitment was $230 at May 31, 1988. The minimum annual payments over the next two years are $115 a year.

The Société is bound under purchase contracts or contracts relating to construction of fixed assets in progress for an overall amount of $1 292 at May 31, 1988.

13. Extraordinary item

	1988	1987
In 1987/1988, the Amqui, Coteau Landing, Pointe des Cascades and Côte Ste-Catherine campgrounds were turned over to the municipalities concerned for a nominal fee, which resulted in a loss of $700 on the disposal of assets	(700)	
Amount to be deferred	(700)	

13. Extraordinary item (cont'd)

	1988	1987
Amount deferred	(700)	
In June 1987, the Stoneham campground was sold for $248, which allowed the Société to record a gain of $146 on the disposal of assets	146	
In June 1987, gain on the disposal of property on which the Fort Témiscamingue campgrounds is located	24	
In March 1987, the Rivière-aux-Saumons outfitters was sold for $855, which allowed the Société to record a gain of $427 on the disposal of assets		427
	(530)	427

14. Net change in other items

	1988	1987
Accounts receivable	29	(749)
Inventories	(111)	(58)
Short-term investments	760	(754)
Expenses deferred to next fiscal year	(502)	(573)
Accounts payable and accrued expenses	464	658
Customer deposits	1 542	351
Subsidies collected in advance	(71)	(610)
Owed on the purchase of exclusive commercial rights	1 074	
	3 185	(1 735)

15. Subsequent events

In June 1988, the Société assumed management of the following property, which will be transferred to it by Order-in-Council:

-- Various equipment from the Réserve faunique des Laurentides (Lac des Neiges and Camp Belle Fontaine), the Parc de conservation des Grands-Jardins (Camp Ste-Anne, Bois-Vert, Chemin du Canot and Chemin du Caribou), the Parc de conservation de la Jacques-Cartier (Lac à l'Épaule and ski touring) and the Parc de conservation de la Gaspésie (ski-touring shelters) belonging to the ministère du Loisir, de la Chasse et de la Pêche .

-- Various tourist centres belonging to the Société d'aménagement de l'Outaouais (SAO), including the centres at Lac de l'Argile, Lac Leslie, Lac Simon, the Centre touristique de la Petite Rouge and the Centre touristique de la Haute Gatineau.

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

APPENDICES -- ADDITIONAL INFORMATION
for the fiscal period from June 1, 1987 to May 31, 1988
(in thousands of dollars)

A -- RESULTS BY ESTABLISHMENT:

GROSS REVENUE (Appendix B)

	1988	1987
Parc du Mont-Sainte-Anne	13 559	11 643
Réserve d'Anticosti	4 039	3 400
Manoir Montmorency	2 504	2 121
Réserve faunique des Laurentides	2 195	
Auberge de Fort Prével	673	651
Gite du Mont-Albert	661	
Domaine and hunting in La Vérendrye	651	334
Tourist centres (campgrounds)	639	870
Salmon rivers -- Gaspésie	440	
Val-Jalbert historic village	193	
	25 554	19 019

DIRECT EXPENDITURES (Appendix C)

	1988	1987
Parc du Mont-Sainte-Anne	10 602	8 892
Réserve d'Anticosti	3 940	3 352
Manoir Montmorency	2 756	2 467
Réserve faunique des Laurentides	1 900	
Auberge de Fort Prével	781	738
Gite du Mont-Albert	964	
Domaine and hunting in La Vérendrye	398	321
Tourist centres (campgrounds)	873	1 543
Salmon rivers -- Gaspésie	323	
Val-Jalbert historic village	322	
	22 859	17 313

OPERATIONS PROFIT (LOSS)

	1988	1987
Parc du Mont-Sainte-Anne	2 957	2 751
Réserve d'Anticosti	99	48
Manoir Montmorency	(252)	(346)
Réserve faunique des Laurentides	295	
Auberge de Fort Prével	(108)	(87)
Gite du Mont-Albert	(303)	
Domaine and hunting in La Vérendrye	253	13
Tourist centres (campgrounds)	(234)	(673)
Salmon rivers -- Gaspésie	117	
Village historique de Val-Jalbert	(129)	
	2 695	1 706

APPENDICES -- ADDITIONAL INFORMATION (cont'd)
for the fiscal period from June 1, 1987 to May 31, 1988
(in thousands of dollars)

B -- GROS REVENUE BY TYPE:

	Skiing	Hunting and fishing	Hotels and restaurants	Campgrounds and summer activities	Total
Parc du Mont-Sainte-Anne	12 943		40	576	13 559
Réserve d'Anticosti		3 999		40	4 039
Manoir Montmorency			2 504		2 504
Réserve faunique des Laurentides	240	1 700	144	111	2 195
Auberge de Fort Prével			594	79	673
Gîte du Mont-Albert	25	26	574	36	661
Domaine and hunting in la Vérendrye		218	433		651
Tourist centres (campgrounds)				639	639
Salmon rivers -- Gaspésie		440			440
Val-Jalbert historic village				193	193
	13 208	6 383	4 289	1 674	25 554

C -- DIRECT EXPENDITURE BY TYPE:

	Consumption	Wages	Other direct expenditures	Total
Parc du Mont-Sainte-Anne	832	5 190	4 580	10 602
Réserve d'Anticosti	609	1 790	1 541	3 940
Manoir Montmorency	650	1 291	815	2 756
Réserve faunique des Laurentides	143	778	979	1 900
Auberge de Fort Prével	164	344	273	781
Gîte du Mont-Albert	222	453	289	964
Domaine and hunting in la Vérendrye		225	173	398
Tourist centres (campgrounds)		425	448	873
Salmon rivers -- Gaspésie		247	76	323
Val Jalbert historic village		152	170	322
	2 620	10 895	9 344	22 859
Head office		1 685	880	2 565
	2 620	12 580	10 224	25 424

D -- SUBSIDY COLLECTED IN ADVANCE:

	1988	1987
Opening balance	(71)	(681)
Plus:		
Cash subsidy received from the ministère du Loisir, de la Chasse et de la Pêche	(182)	(316)
Less:		
Subsidy used as consideration for revenue from access rights	71	
Subsidy income	182	926
Closing balance		(71)

AUDITORS' REPORT

To the shareholder of the
Société des établissements de plein air du Québec

We have examined the balance sheet of the Société des établissements de plein air du Québec at May 31, 1988 and the statements of operating results, deficit and change in financial position for the period from June 1, 1987 to May 31, 1988. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. We obtained all the information and explanations we requested.

In our opinion, based on the information and explanations we received and from what is shown on the books of the Société, these financial statements present fairly and accurately the Société's financial position at May 31, 1988 and the results of its operations and the change in its financial position for the period from June 1, 1987 to May 31, 1988, in accordance with generally accepted accounting principles, applied on a basis consistent with the preceding year.

Mallette, Benoit, Boulanger, Rondeau & Associés,
Chartered Accountants

Québec, July 15, 1988

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC
R.S.Q., c. S-14

REVENUE, EXPENDITURE AND DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987 (Note 3)
EXPENDITURE		
Operating expenses	$20 755 771	$20 058 027
General and administrative expenses	3 871 101	4 059 596
Depreciation on fixed assets	2 547 886	2 702 210
Interest on commitments under capital lease contracts	2 907 626	3 015 040
	30 082 384	29 834 873
REVENUE		
Ferrying vehicles	4 179 015	4 136 649
Ferrying passengers	2 227 967	2 160 211
Other (Note 4)	417 157	449 584
	6 824 139	6 746 444
LOSS BEFORE GOVERNMENT PARTICIPATION AND EXTRAORDINARY ITEM	23 258 245	23 088 429
Government participation (Note 5)	23 025 336	22 327 541
LOSS BEFORE EXTRAORDINARY ITEM	232 909	760 888
Gain on the disposal of a ship		80 706
NET LOSS	232 909	680 182
OPENING DEFICIT (RETAINED EARNINGS)	345 022	(335 160)
CLOSING DEFICIT	$577 931	$345 022

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
		(Note 3)
OPERATING ACTIVITIES		
Loss before extraordinary item	$(232 909)	$(760 888)
Items not affecting liquid assets		
Depreciation on fixed assets	2 547 886	2 702 210
Transfer of deferred credit	(1 224 836)	(1 430 541)
Loss on disposal of fixed assets	9 106	3 071
	1 099 247	513 852
Change in current assets and liabilities excluding liquid assets	(106 437)	(203 216)
Funds generated by operating activities	992 810	310 636
FINANCING ACTIVITIES		
Government participation in fixed assets	5 496	100 000
Decrease in commitments arising from capital lease contracts	(1 103 805)	(1 206 006)
Funds absorbed by financing activities	(1 098 309)	(1 106 006)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(117 460)	(26 096)
Liquidation of 50% of investment	27 500	
Proceeds from the disposal of fixed assets	1	106 671
Funds (absorbed) generated by investment activities	(89 959)	80 575
DECREASE IN LIQUID ASSETS	195 458	714 795
OPENING CASH AND TERM DEPOSITS	3 073 807	3 788 602
CLOSING CASH AND TERM DEPOSITS	$2 878 349	$3 073 807

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
		(Note 3)
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$2 878 349	$3 073 807
Accounts receivable and accrued interest	206 493	182 728
Subsidy receivable from the gouvernement du Québec		657 500
	3 084 842	3 914 035
INVESTMENT (Note 6)	27 500	55 000
FIXED ASSETS (Note 7)	37 253 182	39 692 715
	$40 365 524	$43 661 750
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$3 008 572	$3 646 543
Instalments on commitments arising from capital lease contracts due within one year (Note 8)	1 103 805	1 206 006
	4 112 377	4 852 549
COMMITMENTS ARISING FROM CAPITAL LEASE CONTRACTS (Note 8)	26 644 452	27 748 257
DEFERRED CREDIT (Note 9)	8 686 626	9 905 966
	39 443 455	42 506 772
SHAREHOLDER'S EQUITY		
CAPITAL STOCK		
Authorized: 100 000 shares with a par value of $100 each		
Issued and paid up: 15 000 shares	1 500 000	1 500 000
DEFICIT	577 931	345 022
	922 069	1 154 978
	$40 365 524	$43 661 750

COMMITMENTS (Note 10)

On behalf of the Board of Directors,

Jean-Yves Gagnon
Lise Dufour

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société des traversiers du Québec is a joint-stock company founded under a special Act whose shares are part of the public domain of the Province of Québec and are assigned to the Minister of Finance. The purpose of the Société is to provide ferry transportation services on rivers and lakes in Québec.

2. Accounting policies

The Société's financial statements were prepared by management in accordance with generally accepted accounting principles. They include amounts based on best estimates and judgment.

Fixed assets

Fixed assets acquired by donation have been valued at initial cost or according to appraised value or that set by municipal assessment. Other fixed assets are recorded at cost. Depreciation on fixed assets is calculated as follows:

	Rate	Method
Quays	5%	Diminishing balance
Buildings	10%	
Ships	15%	
Furniture and equipment	20%	
Rolling stock	30%	
Leasehold improvements	-	Estimated service life
Ships leased under capital lease contracts	-	Depreciation in relation to repayment of principal on corresponding commitments

Deferred credit - Government participation in the acquisition of fixed assets

The value assigned to assets acquired by donation or through specific subsidies is recorded in the deferred credit account and transferred to the statement of revenue and expenditure as depreciation is charged on these assets.

Recovery from insurers

Amounts from insurers covering accidents caused by Société vessels are recorded when received.

3. Adjustments made to previous fiscal years

During the year, the Société reached an agreement to settle its lawsuit with MIL Davie inc. regarding the construction of two ferries in 1984 and 1985. MIL Davie inc. paid the Société $1 439 215 in settlement. This cash inflow, plus the $11 972 in interest accrued to the date of outlay, enabled the Société to make advance payments on its obligations arising from capital lease contracts concluded in 1986 in relation to the said ferries.

After correcting the $227 206 in accumulated depreciation on the two ferries as at March 31, 1987, adjustments have been given retroactive effect so as to take the above transactions into account.

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3. Adjustments made to previous fiscal years (cont'd)

Effect of adjustments on financial statements

Balance Sheet as at March 31, 1987

Decrease in assets	
Fixed assets	
Cost	$1 452 187
Accumulated depreciation	(227 206)
Unamortized cost	$1 679 393
Decrease in liabilities	
Obligations arising from capital lease contracts	
Current	$(175 022)
Long-term	1 785 024
	1 610 002
Accounts payable and accrued expenses (accrued interest)	69 391
	$1 679 393

Revenue, expenditure and deficit for fiscal years ended March 31, 1986 and 1987

The adjustments have had no effect on the operating results for the year since the increase in depreciation equals the decrease in interest on obligations arising from capital lease contracts. Comparative figures from the 1987 financial statements have been adjusted accordingly.

4. Other revenue

	1988	1987
Interest on bank deposits	$220 326	$199 703
Dividends	20 350	24 200
Parking and miscellaneous	50 679	50 551
Vending machines	87 726	65 232
Recovered from insurers on accident claims involving vessels	47 182	112 969
Loss on disposal of fixed assets	(9 106)	(3 071)
	$417 157	$449 584

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Government participation

	1988	1987
Gouvernement du Québec:		
- Operations		
Subsidy received	$21 800 500	$20 239 500
Subsidy receivable		657 500
	21 800 500	20 897 000
- Acquisition of fixed assets		
Transfer to deferred credit (Note 9)	1 170 027	1 370 841
	22 970 527	22 267 841
Government of Canada:		
- Acquisition of fixed assets		
Transfer to deferred credit (Note 9)	54 809	59 700
	$23 025 336	$22 327 541

6. Investment

This investment was assigned free of charge by the gouvernement du Québec to the Société and represents the initial cost of 55 000 class "A" common shares of the 767 500 shares issued by Compagnie de Matane Inc. In September 1987, the latter decreased its paid capital stock by 50% without modifying the number of shares issued and outstanding. During the year, the Société received $27 500 to this effect.

7. Fixed assets

	1988				1987
	Fixed assets				(Note 3)
	Acquired by donation	Other	Accumulated depreciation	Net	Net
Lands	$64 794	$18 145		$82 939	$82 939
Quays	3 795 452	74 622	$2 010 909	1 859 165	1 932 284
Buildings	1 535 755	404 851	967 752	972 854	1 047 064
Ships	25 425 957	881 933	20 246 938	6 060 952	7 130 534
Furniture and equipment	22 532	536 513	370 218	188 827	195 565
Rolling stock		38 924	27 582	11 342	6 939
Leasehold improvements	215 930	637 793	184 789	668 934	718 627
	31 060 420	2 592 781	23 808 188	9 845 013	11 113 952
Ships leased under capital lease contracts		31 011 585	3 603 416	27 408 169	28 578 763
	$31 060 420	$33 604 366	$27 411 604	$37 253 182	$39 692 715

7. Fixed assets (cont'd)

Harbour installations - harbour sheds and wharves at Matane and Godbout belong to the gouvernement du Québec and are made available to the Société free of charge.

8. Commitments arising from capital lease contracts

	1988	1987
		(Note 3)
Commitments arising from capital lease contracts, bearing interest between 10.6% and 10.8%, maturing to 2001	$27 748 257	$28 954 263
Instalments due within one year	1 103 805	1 206 006
	$26 644 452	$27 748 257

The minimum payments required under the capital lease contracts, assuming the rental amounts remain at the levels paid in 1988, are as follows:

1989	$3 977 181
1990	3 931 356
1991	3 931 356
1992	3 889 492
1993	3 889 492
1994 to 2001	33 236 861
Total minimum payments required	52 855 738
Amount representing interest included in the minimum payments required	25 107 481
	$27 748 257

9. Deferred credit

Government participation in the acquisition of fixed assets:

	1988	1987
a. Gouvernement du Québec		
Opening balance	$9 282 290	$10 553 410
Participation for the year	5 496	100 000
	9 287 786	10 653 410
Transfer to the statement of revenue, expenditure and deficit equal to the following:		
Depreciation on fixed assets	1 165 335	1 351 547
Undepreciated balance on fixed assets disposed of during the year	4 692	19 294
	1 170 027	1 370 841
Undepreciated balance on fixed assets transferred to the gouvernement du Québec		279
	1 170 027	1 371 120
Closing balance (amounts to be deferred)	8 117 759	9 282 290

9. Deferred credit (cont'd)

	1988	1987
Closing balance (deferred amounts)	$8 117 759	$9 282 290
b. Government of Canada		
Opening balance	623 676	683 376
Transfer to the statement of revenue and expenditure equal to the following amount:		
Depreciation on fixed assets	54 809	59 700
Closing balance	568 867	623 676
	$8 686 626	$9 905 966
This balance relates to the following items:		
Land	$64 794	$64 794
Quays	1 811 752	1 883 570
Buildings	762 290	813 102
Ships	5 829 299	6 858 000
Furniture and equipment	2 366	2 958
Leasehold improvements	172 746	183 542
	8 643 247	9 805 966
Unexpended balance of special subsidy for major repairs	43 379	100 000
	$8 686 626	$9 905 966

10. Commitments

Operating lease contracts for vessels

The minimum term of the lease is 10 years, ending in 1990. The lease is renewable and includes purchase options in 1990 at a price of $2 998 800 or in 1995 at a price of $849 660 if the lease is renewed.

The total minimum amount payable in the future under the lease is $1 254 554. Rent charged to expenditure for the year is $627 277.

Office lease

The lease on the intermodal terminal signed in 1984 is for a term of 20 years with option to renew. The annual rent is set at 33 1/3% of operating costs and the estimated total minimum amount payable in the future is $475 333. Rent paid during the year totalled $28 808.

Payments over the next five years

Payments over the next five fiscal years under these two leases, assuming the rent for the intermodal terminal remains unchanged from the amount in 1988, will amount to $656 085 for each of the next two years and $28 808 for the years 1991, 1992 and 1993.

11. Sick leave

At March 31, 1988, sick leave accumulated by employees is estimated at $608 000 ($613 000 at March 31, 1987); this amount is not recorded as a liability. Payment of sick leave is subject to certain conditions set out in the collective agreements.

12. Pension plans

-- Government and Public Employees Retirement Plan (RREGOP)

The majority of Société employees are members of the Government and Public Employees Retirement Plan. Effective July 1, 1982, the cost the plan is shared equally between the employees and the employers. It is a defined benefit plan and guarantees payment of pension and death benefits. Société contributions charged to operations for the year total $323 485 (1987: $256 470). Société obligations toward the Government plan are limited to contributions for current services as an employer.

-- Other plans

The remaining employees are members of two inter-company pension plans and the Société's obligations are limited to contributions for current services as an employer. Société contributions charged to operations for the year total $186 244 (1987: $175 186).

AUDITOR'S REPORT

I have examined the balance sheet of the Société des traversiers du Québec as at March 31, 1988, the statement of revenue, expenditure and deficit and the statement of change in financial position for the fiscal year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in its financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 10, 1988

SOCIÉTÉ D'EXPLOITATION DES RESSOURCES ÉDUCATIVES DU QUÉBEC - SEREQ
(Constituted under Part 3 of the Québec Companies Act)

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended January 31, 1988

	1988	1987
REVENUE		
Subsidies, gouvernement du Québec		$137 800
Interest and other revenue	$22 931	33 579
	22 931	171 379
GENERAL AND ADMINISTRATIVE EXPENSES (statement 6)	25 885	170 501
NET REVENUE (LOSS)	(2 954)	878
OPENING SURPLUS	418 938	418 060
CLOSING SURPLUS	$415 984	$418 938

CHANGE IN FINANCIAL POSITION
for the fiscal year ended January 31, 1988

	1988	1987
OPERATIONS		
Net revenue (loss)	$(2 954)	$878
Items not affecting liquid assets:		
Depreciation	20 401	27 829
Profit on the sale of fixed assets		(6)
	17 447	28 701
Net change in working capital items other than liquid assets	1 202	(207 861)
Liquid assets generated (absorbed) by operations	18 649	(179 160)
INVESTMENT		
Sale of fixed assets, liquid assets generated by investment		1 100
FINANCING		
Payment of commitment under a capital lease contract, liquid assets absorbed by financing	(13 662)	(14 071)
INCREASE (DECREASE) IN LIQUID ASSETS	4 987	(192 131)
OPENING LIQUID ASSETS	353 328	545 459
CLOSING LIQUID ASSETS (Note 3)	$358 315	$353 328

**SOCIÉTÉ D'EXPLOITATION DES RESSOURCES
ÉDUCATIVES DU QUÉBEC - SEREQ**

BALANCE SHEET
as at January 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$6 438	$7 163
Term deposits and accrued interest	351 877	346 165
Accounts receivable (Note 4)	19 709	13 000
Expenses chargeable to next fiscal year		4 011
	378 024	370 339
FIXED ASSETS (Note 5)	44 360	55 450
ASSETS LEASED UNDER A CAPITAL LEASE CONTRACT		
Computer equipment, at cost	46 555	46 555
Accumulated depreciation	46 555	37 244
		9 311
	$422 384	$435 100
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$6 400	$2 500
Payments on commitment arising from capital lease contract maturing during the coming fiscal year		13 662
	6 400	16 162
SURPLUS	415 984	418 938
	$422 384	$435 100

CONTINGENT LIABILITY (Note 6)

On behalf of the Board of Directors,

Jacques Laurent
Alain Lelouche

SOCIÉTÉ D'EXPLOITATION DES RESSOURCES ÉDUCATIVES DU QUÉBEC - SEREQ

NOTES TO FINANCIAL STATEMENTS
at January 31, 1988

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1. Main accounting policies

Fixed assets

Depreciation on furniture and office equipment is calculated using the diminishing balance method at 20%.

Assets leased under a capital lease contract

Depreciation on computer hardware is calculated using the straight-line method at 30%.

2. Nature of activities

The Société is a non-profit agency which seeks to promote the distribution of Québec educational resources and undertake educational projects outside Québec. The Société has not received a subsidy from the Government since fiscal 1986-1987. No permanent resources remained at the disposal of the Société.

3. Liquid assets

	1988	1987
Liquid assets include:		
Cash	$6 438	$7 163
Term deposits and accrued interest	351 877	346 165
	$358 315	$353 328

4. Accounts receivable

	1988	1987
Balance of sales price on fixed assets	$2 800	$2 800
Subletting of administrative premises	13 964	2 583
Other	2 945	7 617
	$19 709	$13 000

5. Fixed assets

	Cost	Accumulated depreciation	1988 Nondepreciated cost	1987 Nondepreciated cost
Furniture and office equipment	$131 291	$86 931	$44 360	$55 450

6. Commitment

Payments under an operating lease contract for administrative premises in Montréal expiring November 30, 1988 total $25 390.

Since September 1, 1986, these premises have been sublet to the following agencies:

The Minister responsible for the application of the Canada-Québec subsidiary agreement on scientific and technological development;

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6. Commitment (cont'd)

The Minister of External Trade and Development.

No rent was paid to the lessor for the period from November 1, 1987 to January 31, 1988 since a new agreement is currently being negotiated with the subletters. In the event that an agreement is not reached, the Société must pay the lessor the sum of $33 006, which will be recorded under the operating results for the then current fiscal year.

7. Subsequent event

A contract for professional services totalling $7 000 was signed with [illegible]lou (C.F.C.) inc. on January 15, 1988. This amount is payable in two equal payments of $3 500 each on February 18 and March 18, 1988.

ADDITIONAL INFORMATION STATEMENT 6
for the fiscal year ended January 31, 1988

	1988	1987
GENERAL AND ADMINISTRATIVE EXPENSES		
Wages, salaries and fringe benefits		$19 880
Severance pay		71 206
External and consulting services		495
Directors' fees		400
Inspection fees and administrative advice	$3 900	6 590
Representation		315
Travel expenses		1 978
Rental of building		22 850
Equipment rental		8 968
Insurance		535
Interest on a capital lease contract	773	3 601
Communications		1 777
Postage and courier		252
Office equipment		485
Taxes		3 004
Depreciation on fixed assets	11 090	13 863
Depreciation on assets leased under capital lease contract	9 311	13 966
(Profit) loss on sale of fixed assets		(6)
Miscellaneous expenses	811	342
	$25 885	$170 501

SOCIÉTÉ D'EXPLOITATION DES RESSOURCES ÉDUCATIVES DU QUÉBEC - SEREQ

AUDITORS' REPORT

To members of the Board of Directors of the
Société d'exploitation des ressources
éducatives du Québec (SEREQ)

We have examined the statements of revenue, expenditure and surplus and change in financial position of the Société d'exploitation des ressources éducatives du Québec (SEREQ) for the year ended January 31, 1988 and its balance sheet as at that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the revenue and expenditure and the change in the Société's financial position for the year ended January 31, 1988 and its financial position at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Maheu Noiseux,
Chartered Accountants

Montréal, April 21, 1988

SOCIÉTÉ D'HABITATION DU QUÉBEC
R.S.Q., c. S-8

OPERATING RESULTS AND SURPLUS
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986 (Note 14)
REVENUE		
Contributions (Note 7)		
Gouvernement du Québec	201 380	196 360
Canada Mortgage and Housing Corporation	120 671	104 307
	322 051	300 667
Recovery - debt service charged to non-profit housing program	132 091	121 934
Interest on loans and advances	44 295	44 398
	498 437	466 999
EXPENDITURE		
Cost of programs (Note 7)	296 938	280 572
Administrative expenses (Note 8)	25 113	20 095
	322 051	300 667
Interest on borrowings (Note 9)	172 933	163 510
Depreciation on housing buildings	2 748	2 169
	497 732	466 346
REVENUE BEFORE THE FOLLOWING ITEM	705	653
Net gain on disposal of assets		50
NET REVENUE FOR THE YEAR	705	703
OPENING SURPLUS	1 015	312
CLOSING SURPLUS	1 720	1 015

CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31, 1987
(in thousands of dollars)

	1987	1986 (Note 14)
OPERATING ACTIVITIES		
Funds generated (absorbed) by operating activities (Note 10)	38 130	(848)
FINANCING ACTIVITIES		
New borrowings	1 300 465	1 468 558
Repayments of borrowings	(1 222 426)	(1 368 108)
Increase in accrued interest on borrowings	1 768	182
Increase in amounts due to insurance fund	757	879
Funds generated by financing activities	80 564	101 511
INVESTMENT ACTIVITIES		
New investments		
Residential buildings	(92 919)	(110 009)
Loans and advances	(3 216)	(4 448)
Payments received on loans and advances	8 195	9 773
Decrease in accrued interest on loans and advances	152	90
Proceeds from disposal of assets		3 000
Funds absorbed by investment activities	(87 788)	(101 594)
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE YEAR	30 906	(931)
OPENING CASH POSITION	483	1 414
CLOSING CASH POSITION AND TERM DEPOSITS	31 389	483

SOCIÉTÉ D'HABITATION DU QUÉBEC

BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Loans and advances (Note 3)	579 724	584 855
Residential buildings (Note 4)	1 252 021	1 161 850
Accounts receivable		
Canada Mortgage and Housing Corporation	77 040	53 213
Gouvernement du Québec		15 342
Other	2 773	2 753
Cash and term deposits	31 389	483
	1 942 947	1 818 496
LIABILITIES		
Borrowings (Note 5)	1 860 795	1 780 988
Accounts payable (Note 6)	35 245	31 579
Deferred contribution -- gouvernement du Québec	39 516	
Insurance fund	5 671	4 914
	1 941 227	1 817 481
SURPLUS	1 720	1 015
	1 942 947	1 818 496

COMMITMENTS (Note 12)

On behalf of the Société,

Guy G. Bouchat, Chairman of the Board
Jean-Paul Arsenault, Chairman and Chief Executive Officer

SOCIÉTÉ D'HABITATION DU QUÉBEC

INSURANCE FUND
BALANCE SHEET
as at December 31, 1987
(in thousands of dollars)

	1987	1986
ASSETS		
Cash	6	16
Accounts receivable		
Société d'habitation du Québec	5 671	4 914
Other	10	3
	5 687	4 933
LIABILITIES		
Claims under settlement	1 456	473
Fund balance	4 231	4 460
	5 687	4 933

CHANGE IN THE INSURANCE FUND
during the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
Revenue		
Premiums	995	980
Interest	454	438
	1 449	1 418
Claims	1 678	520
SURPLUS CLAIMS OVER REVENUE DURING THE YEAR	229	(898)
OPENING FUND BALANCE	4 460	3 562
CLOSING FUND BALANCE	4 231	4 460

SOCIÉTÉ D'HABITATION DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987
(in thousands of dollars)

1. Constitution and purpose

The Société d'habitation du Québec was incorporated under a special Act to:

-- advise the Minister responsible on the needs, priorities and objectives of all sectors of housing in Québec;
-- foster the development and collaboration of public and private initiatives in matters of housing;
-- make low-rental housing available to residents of Québec;
-- favour the development and implementation of housing construction, acquisition, renovation, restoration and administration programs;
-- facilitate home ownership for Québec residents;
-- promote home improvement.

In addition to modifying the purpose of the Société, the Act to amend the Act respecting the Société d'habitation du Québec, which was passed on March 26, 1987 and came into force on April 1, 1987, entrusts it with the full management of its revenue and receipts. This provision means that the Société is no longer obliged to remit a portion its revenue to the Consolidated Revenue Fund.

In addition, the Société has administered an insurance fund since 1979 to cover accidental losses to its residential buildings and those of municipal housing offices. This fund does not cover individual losses in excess of $500 000, which are borne on an equal basis by Canada Mortgage and Housing Corporation and the Société d'habitation du Québec, under the terms of agreements between these agencies.

2. Accounting policies

The Société's financial statements have been prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment. Some accounting policies have been applied as described below.

a. Residential buildings

i. Residential buildings belonging to the Société are recorded at cost.

The cost of properties acquired through default of payment is recorded at the amount of the outstanding balance on the loan, plus accrued interest to the date of surrender plus expenses incurred up to the date of takeover.

For residential housing construction projects, interest and administrative costs are added to the other costs incurred until the date the building is ready for operation. The interest rate charged is equal to the weighted average of effective interest rates for short-term borrowings contracted by the Société to finance projects.

ii. Depreciation is charged on residential buildings according to the repayment terms for the principal of loans contracted on the buildings, generally over a period of 35 to 50 years. The annual charge includes amortization of the cost of land, buildings and equipment. No depreciation is charged against residential buildings until the loans thereon are under repayment.

b. Loans and advances

There is no provision for non-recovery of loans and advances in arrears since such amounts are recorded under the cost of the properties upon default.

c. Contributions

Participation by the gouvernement du Québec and Canada Mortgage and Housing Corporation (CMHC) in financing programs is recorded provided the cost of the programs is also recorded. The year-end difference between the contribution received from each of the above and their share in program financing is entered either as an account receivable or a deferred contribution.

2. Accounting policies (cont'd)

d. Recovery - debt service charged to non-profit housing program

Debt service which the Société must assume under borrowings contracted to finance residential buildings which will be managed by agents is generally recovered from subsidies paid to these agents, namely municipal housing offices, northern municipalities and the Société de gestion immobilière SHQ.

e. Cost of programs

Non-profit housing program

The cost of the non-profit housing program is established based on the budgets drawn up by the agencies concerned and approved by the Société or, where applicable, on the budgets prepared and approved by the Société.

The cost also includes changes made to previous years as a result of the Société's analysis and approval of agencies' audited financial statements.

Rent supplement program

Where the rent supplement program is geared to agencies, the cost of the program is determined on the basis of subsidy applications produced by the agencies involved and approved by the Société. This cost also includes any retroactive adjustments to prior years arising from the Société's analysis and approval of required financial reports.

Where the program is geared to individuals, the Société records the benefits under the program in accordance with the accounting policy applicable to "other programs".

Corvée-Habitation

The Société's share of the cost of this program amounts to 60% of the subsidies granted by the Fonds de relance de la construction domiciliare (Housing construction recovery fund), set up under the Act to promote housing construction.

Canada-Québec Rehabilitation Assistance Program

Financial assistance granted to this program is in the form of a loan with possible repayment. The loan is considered an expenditure for the current year as soon as its payment has been approved by the Société.

Other programs

The cost of each of the other programs is recorded to the extent that applications for subsidies have been approved by the Société or its agent, if applicable, and the resulting payments fall due before the fiscal year-end in question.

f. Administrative expenses

The acquisition of material and equipment is charged to administrative expenses.

The cost of pension plans and telephone service is paid out of appropriations of certain departments and are not shown in the statement of operating results. The same policy was applied prior to April 1, 1987, for the cost of fringe benefits granted to Société employees.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

3. Loans and advances

	1987	1986
Mortgage loans - 6 7/8% to 15 1/8% payable by monthly or annual instalments	533 748	536 788
Loans without mortgage security - 6 7/8% to 14.58% payable by monthly instalments	14 162	14 280
Bonds - 6 7/8% to 9 5/8% payable by annual instalments	11 631	13 803
Advances	10 763	10 412
Accrued interest	9 420	9 572
	579 724	584 855

4. Residential buildings

	1987	1986
Completed residential buildings	1 131 795	1 038 873
Acquired properties	58 494	56 788
	1 190 289	1 095 661
Accumulated depreciation	10 379	7 631
	1 179 910	1 088 030
Residential buildings under construction	72 111	73 820
	1 252 021	1 161 850

5. Borrowings

	1987	1986
Gouvernement du Québec		
Bonds - 6 7/8% to 15.98% payable by annual and semi-annual instalments over periods of not more than 50 years, callable	127 152	127 653
Accrued interest	7 102	7 126
	134 254	134 779
Canada Mortgage and Housing Corporation		
Bonds - 6 7/8% to 11% payable by annual and semi-annual instalments over periods of not more than 50 years, callable	861 937	867 346
Mortgage loans - 3 1/2% to 7 7/8% payable by monthly instalments over periods of not more than 50 years	1 729	1 848
Accrued interest	49 398	49 631
	913 064	918 825
Amounts to be deferred	1 047 318	1 053 604

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

5. Borrowings (cont'd)

	1987	1986
Deferred amounts	1 047 318	1 053 604
Other		
Bonds - 8.85% to 16 1/4% payable from 1988 to 1996 and insured by the Canada Mortgage and Housing Corporation	643 763	509 602
Term borrowings - 9.38% to 14.58% generally payable by monthly or annual instalments maturing from 1988 to 1992	10 966	8 401
Interim financing: financial institutions	132 754	185 412
Accrued interest	25 994	23 969
	813 477	727 384
	1 860 795	1 780 988

The amount of principal payments due over the next five years on bonds, mortgage loans and term borrowings is as follows:

1988 -- 10 438
1989 -- 10 903
1990 -- 11 505
1991 -- 12 094
1992 -- 12 086

6. Accounts payable

	1987	1986
Société de gestion immobilière SHQ - Fonds de relance de la construction domiciliaire	12 438	12 663
Contractors and suppliers	13 265	11 764
Beneficiaries of various subsidies	5 133	3 790
Holdbacks on construction contracts	4 409	3 362
	35 245	31 579

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

7. Cost and financing of programs

	1987			1986		
		Financing			Financing	
Programs	Costs	Gouvernement du Québec	CMHC*	Costs	Gouvernement du Québec	CMHC*
				(Note 14)	(Note 14)	(Note 14)
Non-profit housing						
Public						
Municipal housing board buildings	35 484	15 359	20 125	38 540	16 525	22 015
Residential buildings of the Société mandated by agent	130 332	45 607	84 725	125 406	45 797	79 609
	165 816	60 966	104 850	163 946	62 322	101 624
Private						
Coop housing and non-profit agencies	609	153	456			
Aboriginal people in urban areas	186	44	142			
Aboriginal people in rural areas	879	211	668			
	1 674	408	1 266			
	167 490	61 374	106 116	163 946	62 322	101 624
Assistance to individuals						
Rent supplement	7 367	5 254	2 113	6 223	4 389	1 834
Corvée-Habitation	1 109	1 109		10 418	10 418	
Assistance to facilitate home ownership	23 994	23 994		29 806	29 806	
Allowance -- housing favouring the elderly	20 196	20 196		18 601	18 601	
Family Housing Act	1 076	1 076		1 271	1 271	
Temporary relocation of urea formaldehyde insulation victims	11	11		11	11	
	53 753	51 640	2 113	66 330	64 496	1 834
Amounts to be deferred	221 243	113 014	108 229	230 276	126 818	103 458

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

7. Cost and financing of programs (cont'd)

	1987			1986		
		Financing			Financing	
Programs	Costs	Gouvernement du Québec	CMHC*	Costs	Gouvernement du Québec	CMHC*
				(Note 14)	(Note 14)	(Note 14)
Deferred amounts	221 243	113 014	108 229	230 276	126 818	103 458
Assistance to community agencies and for renovation						
Community housing assistance	4 161	4 161		6 033	6 033	
Assistance to non-profit agencies catering to the homeless	1 896	1 896				
Municipal land servicing					(15)	15
Québec assistance for residential renovation	79	79		9 363	9 363	
Residential building restoration	48 601	48 601		34 700	34 700	
Emergency repairs	46	13	33			
Canada-Québec Rehabilitation Assistance	20 912	10 350	10 562			
Acquisition and improvement of Angus lands				200	200	
	75 695	65 100	10 595	50 296	50 281	15
Cost of programs	296 938	178 114	118 824	280 572	177 099	103 473
Administrative expenses (Note 8)	25 113	23 266	1 847	20 095	19 261	834
Total cost of programs	322 051	201 380	120 671	300 667	196 360	104 307

* Canada Mortgage and Housing Corporation

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

8. Administrative expenses

	1987	1986
		(Note 14)
Wages, salaries and other remuneration	17 600	15 053
Transportation and communications	1 111	1 051
Professional, administrative and other services	3 392	2 589
Maintenance and repairs	102	114
Rent	2 788	2 848
Materials and supplies	761	538
Material and equipment	268	391
Various subsidies	131	71
Other expenditure	42	23
	26 195	22 678
Expenses charged		
Construction cost of residential buildings	974	2 468
Société de gestion immobilière SHQ	108	115
	1 082	2 583
	25 113	20 095

9. Interest on borrowings

	1987	1986
Interest on debenture loans	160 918	151 759
Interest on mortgage loans	93	97
Interest on term loans	1 170	976
Interest interim financing	13 544	15 846
Interest on advances from the disaster insurance fund	453	436
	176 178	169 114
Interest charged		
To the cost of housing buildings under construction *	3 128	5 604
To the cost of the Canada-Québec Rehabilitation Assistance Program	117	
	3 245	5 604
	172 933	163 510

* Rates charged in 1987 varied from 7.22% to 9.43% (8.34% to 11.56% in 1986).

NOTES TO FINANCIAL STATEMENTS (cont'd)
at December 31, 1987
(in thousands of dollars)

10. Funds generated (absorbed) by operating activities

	1987	1986
		(Note 14)
Net revenue for the fiscal year	705	703
Depreciation on residential buildings	2 748	2 169
Net gain on the disposal of assets		(50)
Funds generated by operations	3 453	2 822
Decrease (increase) in receivables	(8 505)	2 547
Increase (decrease) in payables	3 666	(6 217)
Deferred contribution -- gouvernement du Québec	39 516	
	38 130	(848)

11. Société de gestion immobilière SHQ

The Société d'habitation du Québec has mandated the Société de gestion immobilière SHQ to administer some of its buildings. The net operating budget allocated to this agent for this fiscal year amounts to $1.7 million. The Canada Mortgage and Housing Corporation has provided $0.9 million in financing, and the gouvernement du Québec a further $0.8 million. These financial data are included in the statement of operating results of the Société d'habitation du Québec.

12. Commitments

The Société's commitments to contractors for work on residential buildings under construction amount to $24 million at December 31, 1987 (1986: $23 million).

13. Pension plans

Employees of the Société d'habitation du Québec are members of the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan. Effective July 1, 1982, the cost of the plans is shared equally between employees and employers. These are defined benefit plans and guarantee payment of pension and death benefits. Employer contributions to the plans are covered by the gouvernement du Québec.

14. Comparative figures

Certain comparative figures from 1986 have been reclassified for consistency with the presentation adopted in 1987 following amendments to the Société's incorporating Act, mainly with respect to the administration of the Société's revenue and receipts and its financing methods. Comparative figures from 1986 have been modified especially with regard to the items making up the transfer to the Consolidated Revenue Fund shown in the statement of surplus in the 1986 financial statements; these items are now charged directly to various categories in the statement of operating results.

SOCIÉTÉ D'HABITATION DU QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Société d'habitation du Québec and of the insurance fund as at December 31, 1987 and the statements of operating results, surplus and change in financial position of the Société and the statement of change in the insurance fund for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société and the insurance fund at December 31, 1987 and the results of the Société's operations, the change in its financial position and the change in the insurance fund for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, April 26, 1988

SOCIÉTÉ D'INVESTISSEMENT JEUNESSE
R.S.Q., c. S-8.1
OPERATING FUND

REVENUE, EXPENDITURE AND FUND BALANCE
for the fiscal year ended March 31, 1988

	1988	1987
	(12 months)	(4 ½ months)
EXPENDITURE		
Wages and salaries	$183 624	$48 647
Professional, administrative and other services (Note 3)	32 583	19 553
Transportation and communications (Note 3)	71 228	10 347
Printing and office expenses	30 308	21 259
Material and equipment (Note 3)	11 646	23 952
Rental of office equipment	4 482	1 633
	333 871	125 391
REVENUE		
Interest on short-term investments	10 508	
SURPLUS EXPENDITURE OVER REVENUE	323 363	125 391
CONTRIBUTION FROM THE GOUVERNEMENT DU QUÉBEC	400 000	150 000
SURPLUS CONTRIBUTION AND REVENUE OVER EXPENDITURE	76 637	24 609
OPENING FUND BALANCE	24 609	
CLOSING FUND BALANCE	$101 246	$24 609

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$40 370	$84 851
Treasury bonds and bank acceptances	124 439	
	$164 809	$84 851
LIABILITIES		
Accounts payable and accrued expenses	$63 563	$60 242
FUND BALANCE	101 246	24 609
	$164 809	$84 851

COMMITMENTS (Note 5)

On behalf of the Board of Directors,

Yvon Martineau
André Bachand

SOCIÉTÉ D'INVESTISSEMENT JEUNESSE

FINANCIAL ASSISTANCE FUND

CHANGE
for the fiscal year ended March 31, 1988

	1988 (12 months)	1987 (4 ½ months)
SOURCE OF FUNDS		
Donations (Note 6)	$519 500	$101 000
Interest on short-term investments	39 813	
	559 313	101 000
APPLICATION OF FUNDS		
INCREASE FOR THE YEAR	559 313	101 000
OPENING FUND BALANCE	101 000	
CLOSING FUND BALANCE	$660 313	$101 000

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Cash	$1 301	$101 000
Treasury bonds and bank acceptances	659 012	
	$660 313	$101 000
FUND BALANCE	660 313 $	101 000 $

CONTINGENT LIABILITY (Note 7)

On behalf of the Board of Directors,

Yvon Martineau
André Bachand

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purposes

The Société d'Investissement Jeunesse is a non-profit organization constituted under a special Act.

The Société's main purposes are to:

- develop, with the participation of private or public enterprises, the entrepreneurial spirit among young people;
- provide financial or technical assistance to young people looking to establish a business;
- promote the creation of jobs for young people using any appropriate means, particularly through financial and technical assistance to establish or expand an enterprise; and
- create and manage any funds required to carrying out its duties.

2. Accounting policies

The Société's financial statements have been prepared by management using the accrual method in accordance with the accounting policies described below. They include amounts based on best estimates and judgment.

Operating Fund

The operating fund presents the Société's current operations other than those related to the financial assistance fund.

Financial Assistance Fund

The Société has created a financial assistance fund used to deposit donations. Donations are recorded when cashed.

The fund will help pay losses and expenses related to guarantees on loans extended to young entrepreneurs to start up a business.

Fixed assets

The acquisition of material and equipment is charged to operations.

Expenditure assumed by the gouvernement du Québec

Certain expenses paid out of various government department and agency appropriations are not shown on the operating fund's statement of revenue and expenditure.

3. Breakdown of certain expenditure

	1988 (12 months)	1987 (4½ months)
Professional, administrative and other services		
Professional fees	$8 675	$5 528
Fees for internal assessment	11 765	6 500
Travel expenses for committee members	4 642	4 858
Furniture and equipment repairs and maintenance	2 512	2 419
Association subscriptions and fees	1 211	248
Insurance - fire and liability	678	
Training	3 100	
	$32 583	$19 553

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3. Breakdown of certain expenditure (cont'd)

	1988 (12 months)	198 (4½ months)
Transportation and communications		
Travel expenses	$12 094	$3 100
Communications	11 990	4 482
Mail and courier	8 115	2 765
Press conference	2 765	
Exhibitions and fairs	9 847	
Promotion	26 417	
	$71 228	$10 347
Material and equipment		
Computer equipment	$10 832	$15 320
Office equipment	814	8 632
	$11 646	$23 952

4. Expenditure assumed by the gouvernement du Québec

This estimated expenditure is not shown on the statement of revenue and expenditure for the operating fund and breaks down as follows:

	1988 (12 months)	1987 (4½ months)
Wages, salaries and fringe benefits	$114 401	$29 428
Rent	47 435	15 812
	$161 836	$45 240

5. Commitments

The Société is bound by one to five-year leases for the rental of material and equipment. The balance of these commitments at March 31, 1988 totalled $21 549 ($26 863 in 1987) and payment for the next five fiscal years breaks down as follows:

1989	$5 548
1990	5 314
1991	5 314
1992	4 763
1993	610

6. Donations

As at the date of the financial statements, donation commitments to the Société's financial assistance fund totalled $429 000 (1987: $856 500). Commitments will be paid over a period extending from one to four years.

7. Contingent liability

At March 31, 1988, loan guarantees extended to financial institutions by the financial assistance fund totalled $450 100.

SOCIÉTÉ D'INVESTISSEMENT JEUNESSE

AUDITOR'S REPORT

I have examined the balance sheets for the operating fund and the financial assistance fund of the Société d'Investissement Jeunesse as at March 31, 1988, as well as the statements of revenue, expenditure and operating fund balance and change in the financial assistance fund for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société's funds at March 31, 1988 and the results of the operating fund's operations and change in the financial assistance fund for the year then ended, in accordance with the accounting policies disclosed in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 9, 1988

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC
R.S.Q., c. S-14.01

REVENUE AND EXPENDITURE
for the fiscal year ended August 31, 1987

	1987	1986
REVENUE		
Rent -- auditoriums	$756 839	$487 085
Royalties on ticket sales	400 697	341 701
Stage productions	71 099	128 280
Ancillary services (Note 7)	44 853	78 903
Net financial income (Note 8)	126 288	24 614
Other	96 084	74 786
	1 495 860	1 135 369
EXPENDITURE		
Administrative services (Note 9)	712 841	634 925
Support services (Note 10)	3 350 782	3 102 694
Communications	195 951	180 329
Stage productions	229 304	238 365
	4 488 878	4 156 313
SURPLUS EXPENDITURE OVER REVENUE BEFORE SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC	2 993 018	3 020 944
SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC		
Operations -- not including subsidy for debt service (Note 8)	2 698 371	2 687 687
Music conservatory	345 100	336 392
	3 043 471	3 024 079
SURPLUS SUBSIDIES AND REVENUE OVER EXPENDITURE FOR THE YEAR	$50 453	$3 135

DEFICIT
for the fiscal year ended August 31, 1987

	1987	1986
OPENING DEFICIT	$941 754	$944 889
Gouvernement du Québec subsidies to write off deficit (Note 6)	696 098	
	245 656	944 889
Surplus subsidies and revenue over expenditure for the year	50 453	3 135
CLOSING DEFICIT	$195 203	$941 754

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended August 31, 1987

	1987	1986
OPERATING ACTIVITIES		
Surplus subsidies and revenue over expenditure for the year	$50 453	$3 135
Item not affecting liquid assets:		
Amortization of bond issue expenses	8 321	3 467
	58 774	6 602
Change in assets and liabilities related to operations	3 628 092	(1 413 544)
Funds generated (absorbed) by operating activities	3 686 866	(1 406 942)
FINANCING ACTIVITIES		
Long-term debt -- net change	343 455	856 774
Gouvernement du Québec subsidies to write off deficit	696 098	
Bond issue expenses		(59 603)
Funds generated by financing activities	1 039 553	797 171
INVESTMENT ACTIVITIES		
Funds absorbed by investment activities		
Acquisition of fixed assets	(400 268)	(710 869)
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE YEAR	4 326 151	(1 320 640)
OPENING (BANK INDEBTEDNESS) LIQUID ASSETS	(387 192)	933 448
CLOSING LIQUID ASSETS (BANK INDEBTEDNESS)	$3 938 959	$(387 192)

The Société's liquid assets include cash and term deposits less the bank loan.

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

BALANCE SHEET
as at August 31, 1987

	1987	1986
ASSETS		
Cash and term deposits	$3 938 959	$52 808
Accounts receivable	106 430	244 578
Inventories	64 958	52 919
Fixed assets (Note 3)	4 266 297	3 866 029
Bond issue expenses	47 815	56 136
Owed by the gouvernement du Québec		488 892
Advance to a theatre company		32 634
	$8 424 459	$4 793 996
LIABILITIES		
Bank loan		$440 000
Deposits -- ticket sales	$416 492	923 255
Accounts payable and accrued expenses	440 572	370 671
Deferred subsidy (Note 4)	3 469 143	51 824
Long-term debt (Note 5)	4 293 455	3 950 000
	8 619 662	5 735 750
DEFICIT	195 203	941 754
	$8 424 459	$4 793 996

On behalf of the Board of Directors,

Louis Fortin
Claude Vadeboncoeur

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at August 31, 1987

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1. Constitution and purpose

The Société du Grand Théâtre de Québec was incorporated under a special Act as a corporation within the meaning of the Civil Code to administer the Grand Théâtre de Québec and stage performances.

2. Accounting policies

The Société's financial statements have been prepared by management using the accrual method in accordance with the accounting policies described below. They include amounts based on best estimates and judgment.

Inventories

Inventories are valued at cost.

Fixed assets

The cost of fixed assets acquired as part of a project is accumulated in a "Fixed assets project in progress" account until long-term financing terms have been determined. These costs include material, direct labour, professional fees and other direct expenses as well as interim financing charges. Once long-term financing for the project has been completed, these costs are distributed among the various fixed asset categories.

Fixed assets acquired under a project are recorded at cost and are not depreciated.

The remaining fixed assets are charged to operations.

The premises occupied by the Société belong to the gouvernement du Québec, which assumes the costs of major repairs thereto.

Bond issue expenses

Bond issue and discount charges for the long-term debt are recorded and depreciated over the remaining period of the loan.

Royalties on tickets sold

Revenue from royalties on tickets sold are recorded when received.

Interest on long-term debt

Interest on the long-term debt is recorded at the time of payment.

3. Fixed assets

	At cost	
	1987	1986
Technical stage equipment	$2 372 829	$2 372 829
Leasehold improvements	1 408 434	1 408 434
Office furniture and equipment	76 649	76 649
	3 857 912	3 857 912
Fixed assets project in progress	408 385 *	8 117 *
	$4 266 297	$3 866 029

* This $788 000 project has been authorized by the gouvernement du Québec and was scheduled to be completed in 1987-1988.

The building housing the Grand Théâtre de Québec belongs to the gouvernement du Québec which does not charge rent to the Société. However, in January 1985, the Government authorized the Société to acquire the building occupied by the Grand Théâtre de Québec for $1. At the time these financial statements were being prepared, the contract for this transaction had not been executed.

4. Deferred subsidies

At August 31, 1987 - $3 469 143
The Société cashed the 1987-1988 operating subsidy of $3 352 300 from the gouvernement du Québec prior to August 31, 1987. A subsidy of $113 343 to cover preliminary expenses for the forthcoming acquisition of the building in which the Société operates and a second subsidy of $3500 for the Francophone summit held in September 1987 were also cashed prior to August 31, 1987.

At August 31, 1986 - $51 824
The 1985-1986 operating subsidy received from the gouvernement du Québec included a specific amount for municipal, school and corporate taxes. These taxes turned out to be under $51 824.

5. Long-term debt

	1987	1986
Series "I" bonds at		
10%, maturing March 27, 1991	$1 825 000	$1 825 000
10.25%, maturing March 27, 1996	2 125 000	2 125 000
Bank loan *	237 000	
Payables and accrued expenses *	106 455	
	$4 293 455	$3 950 000

* The bank loan and payables and accrued expenses for the fixed assets project in progress are treated as a long-term debt since they will be repaid through long-term financing.

The Société receives a gouvernement du Québec subsidy each year to cover the debt service.

6. Gouvernement du Québec subsidy to write off deficit

During the fiscal year, the Société received a special subsidy of $344 546 from the gouvernement du Québec to write off its deficit. In addition, it received approval to use for the same purpose the unexpended balance of $351 552 from the annual operating subsidies received in fiscal 1985-1986 ($51 824) and fiscal 1986-1987 ($299 728) to cover municipal, school and corporate taxes. The subsidies totalled $696 098.

7. Ancillary services

	1987	1986
Revenue		
Staging	$733 120	$745 143
Workshops	16 624	15 067
Bars	48 866	46 886
	798 610	807 096
Expenditure		
Staging	729 251	681 150
Workshops	16 046	16 858
Bars	8 460	30 185
	753 757	728 193
	$44 853	$78 903

NOTES TO FINANCIAL STATEMENTS (cont'd)
at August 31, 1987

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8. Net financial revenue

	1987	1986
Gouvernement du Québec subsidy for debt service - interest on bonds	$400 312	
Interest on long-term debt	(407 322)	$(223 558)
Amortization of bond issue expenses	(8 321)	(3 467)
Interest earned on bank deposits	139 441	35 656
Interest and bank charges	(4 832)	(7 575)
Interest capitalized to fixed assets project in progress	7 010	
Capitalized interest on the 1982-1985 fixed assets project		223 558
	$126 288	$24 614

9. Administrative services

	1987	1986
Wages, salaries and fringe benefits	$411 268	$395 768
Severance allowances	57 721	11 951
Professional fees	75 411	55 324
Travel and representation	22 230	24 842
Communications	10 950	14 277
Stationery and supplies	14 283	15 959
Fire and public liability insurance	22 804	13 298
Material and equipment	79 456	77 809
Miscellaneous expenses	18 718	25 697
	$712 841	$634 925

10. Support services

	1987	1986
Maintenance, security and electricity	$1 033 987	$969 918
Auditorium operations	594 039	502 965
Box office operations	553 485	476 824
Municipal and school taxes	1 169 271	1 152 987
	$3 350 782	$3 102 694

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

AUDITOR'S REPORT

I have examined the balance sheet of the Société du Grand Théâtre de Québec as at August 31, 1987 and the statements of revenue and expenditure, deficit and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at August 31, 1987 and the results of its operations and change in financial position for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, November 2, 1987

RÉGIME SUPPLÉMENTAIRE DE RENTES DES EMPLOYÉS DE LA SOCIÉTÉ DU GRAND THÉATRE DE QUÉBEC

CHANGE IN NET ASSETS
for the fiscal year ended December 31, 1986

	1986	1985
Contributions for current service		
Employers (Note 2)		$91 802
Employees	$59 212	62 295
	59 212	154 097
Additional employee contributions	53 000	106 213
Employee contributions reimbursed		(311)
	112 212	259 999
Interest on deposits	191 694	172 748
	303 906	432 747
Compensation for buying pension benefits	93 183	99 885
Management fees	5 427	5 530
	98 610	105 415
INCREASE IN NET ASSETS	205 296	327 332
OPENING NET ASSETS	1 639 265	1 311 933
CLOSING NET ASSETS	$1 844 561	$1 639 265

NET ASSETS
as at December 31, 1986

	1986	1985
Deposit in general fund of a mutual insurance company and accumulated interest	$1 838 756	$1 627 653
Contributions receivable	5 805	11 612
NET ASSETS	$1 844 561	$1 639 265

On behalf of the Board of Directors,

Louis Vézina
Claude Vadeboncoeur

RÉGIME SUPPLÉMENTAIRE DE RENTES DES EMPLOYÉS DE LA SOCIÉTÉ DU GRAND THÉATRE DE QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at December 31, 1986

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1. The Plan

The supplemental pension plan of Société du Grand Théâtre de Québec employees is a defined benefit plan made up of employer and employee contributions.

2. Actuarial gain

At year-end 1985, the board of directors of the Société du Grand Théâtre de Québec approved the changes to the regulations governing its employees' supplemental pension plan. The changes came into force with the revised actuarial valuation as at December 31, 1984, which showed an actuarial gain of $116 000. Beginning January 1, 1986, a maximum of $98 000 of this gain is to be used to waive the employer of its plan contributions; in fiscal 1986, $87 956 was used for this purpose.

AUDITOR'S REPORT

I have examined the statement of net assets of the supplemental pension plan of Société du Grand Théâtre de Québec employees as at December 31, 1986 and the statement of change in net assets for the year then ended. My examination was made in accordance with generally accepting auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the net assets of this plan at December 31, 1986 and the change in net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, March 19, 1987

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL
R.S.Q., c. S-14.1

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Rental of space - events	$2 034 754	$1 669 626
Royalties (Note 6)	1 352 244	1 003 690
Ancillary services (Note 7)	1 754 696	1 331 955
	5 141 694	4 005 271
EXPENDITURE		
Operating and administrative expenses (Note 8)	13 204 686	13 546 829
Hosting of events (Note 9)	1 937 136	1 735 813
Net financial charges (Note 10)	8 733 829	8 580 747
	23 875 651	23 863 389
SURPLUS EXPENDITURE OVER REVENUE	18 733 957	19 858 118
SUBSIDY FROM THE GOUVERNEMENT DU QUÉBEC (Note 11)	17 815 103	19 533 790
SURPLUS EXPENDITURE OVER REVENUE AND SUBSIDY	918 854	324 328
OPENING SURPLUS	3 268 912	3 593 240
CLOSING SURPLUS	$2 350 058	$3 268 912

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Surplus expenditure over revenue and subsidy	$(918 854)	$(324 328)
Items not affecting liquid assets		
Amortization of deferred expenses	333 411	292 989
Loss on disposal of furniture and equipment	7 096	23 135
	(578 347)	(8 204)
Change in current assets and liabilities other than liquid assets	1 748 086	(576 117)
Funds generated (absorbed) by operating activities	1 169 739	(584 321)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(601 656)	(756 416)
Proceeds from disposal of fixed assets		10 886
Funds absorbed by investment activities	(601 656)	(745 530)
FINANCING ACTIVITIES		
Funds generated by financing activities		
Contribution from the gouvernement du Québec	584 897	581 210
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE FISCAL YEAR	1 152 980	(748 641)
OPENING LIQUID ASSETS	7 292 989	8 041 630
CLOSING LIQUID ASSETS	$8 445 969	$7 292 989

The Société's liquid assets include cash, term deposits and accrued interest.

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$1 761 838	$357 800
Term deposits and accrued interest	6 684 131	6 935 189
Accounts receivable	480 667	408 622
Subsidy receivable		237 838
Prepaid expenses	158 293	144 595
Insurance claims receivable		469 632
	9 084 929	8 553 676
FIXED ASSETS (Note 3)	84 604 282	84 009 722
DEFERRED EXPENSES, AT AMORTIZED COST	5 499 345	5 832 756
	$99 188 556	$98 396 154
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$5 403 422	$4 184 849
Customer deposits	354 968	447 182
	5 758 390	4 632 031
LONG-TERM DEBT (Note 4)	86 500 000	86 500 000
	92 258 390	91 132 031
EQUITY		
Surplus	2 350 058	3 268 912
Contribution from gouvernement du Québec (Note 5)	4 580 108	3 995 211
	6 930 166	7 264 123
	$99 188 556	$98 396 154

On behalf of the Board of Directors,

Justine Sentenne
Gaston Viallet

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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1. Constitution and purpose

The Société du Palais des congrès de Montréal was incorporated under a special Act as a corporation within the meaning of the Civil Code, for the purpose of:

- administering and operating the Palais des congrès de Montréal;
- preparing development or operating plans for the Palais des congrès;
- carrying on businesses and other activities that will contribute to the development of the Palais des congrès by operating, promoting and administering them.

2. Accounting policies

The Société's financial statements have been prepared by management using the accrual method in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Fixed assets

Fixed assets are recorded at cost and are not depreciated.

Deferred expenses

The cost of a currency swap fixing the amount in Canadian dollars on the repayment of principal and interest of a borrowing in foreign currency is deferred.

Amortization of these deferred expenses is calculated using the effective interest method and is recorded on the interest payment date.

Subsidy from the gouvernement du Québec

The Société records the annual subsidy from the gouvernement du Québec using the following distribution:

- Contributed by the Government to Société equity
  . Contribution for acquisition of fixed assets.

- Operating subsidy
  . Contribution to cover the surplus expenditure over operating revenue.

3. Fixed Assets

	1988	1987
Land	$2 985 051	$2 985 051
Building	97 915 526	97 567 427
Furniture and equipment	8 906 143	8 659 682
	109 806 720	109 212 160
Less:		
Subsidy from the Government of Canada	24 000 000	24 000 000
Subsidy from the gouvernement du Québec	500 000	500 000
Subsidy from the Government of Canada in the form of furniture and equipment transferred free of charge	464 600	464 600
Subsidy from Hydro-Québec	237 838	237 838
	$84 604 282	$84 009 722

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Long-term debt

	1988	1987
NOTE PAYABLE		
The Industrial Bank of Japan, Limited, US$20 000 000, guaranteed by the gouvernement du Québec, 13% annually (effective rate of 13.35% in view of deferred expenses), non-callable and maturing September 27, 1996. A currency swap covers the cost in Canadian dollars of interest payments and the repayment of principal	$32 500 000	$32 500 000
Bonds		
Series "B", guaranteed by the gouvernement du Québec, 12.85% annually, non-callable maturing November 16, 1989	12 000 000	12 000 000
Series "C", guaranteed by the gouvernement du Québec, 13.20% annually, non-callable, maturing November 16, 1994	12 000 000	12 000 000
Series "D", guaranteed by the gouvernement du Québec, at variable interest rates, non-callable before March 15, 1988 and maturing March 14, 1991	30 000 000	30 000 000
	54 000 000	54 000 000
	$86 500 000	$86 500 000

5. Contribution from the gouvernement du Québec

	1988	1987
Contribution for acquisition of fixed assets	$4 458 235	$3 873 338
Furniture transferred free of charge	121 873	121 873
	$4 580 108	$3 995 211

6. Royalties

	1988	1987
Ticket sales	$257 033	$205 476
Food services	935 371	672 838
Electronic services	76 452	60 838
Audiovisual services	76 154	57 610
Other	7 234	6 928
	$1 352 244	$1 003 690

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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7. Ancillary services

	1988	1987
Parking	$548 320	$415 682
Furnishings	419 824	316 603
Audiovisual	395 628	366 564
Cloakroom	125 361	86 302
Info-Montréal	8 955	10 806
Media facilities	37 186	16 943
Souvenir shop	79 176	57 999
Other	140 246	61 056
	$1 754 696	$1 331 955

8. Operating and administrative expenses

	1988	1987
Taxes	$4 767 312	$4 797 603
Insurance and permits	174 580	140 345
Electricity and heating	930 442	952 510
Security	456 073	449 526
Maintenance and repairs	2 173 637	2 068 168
Rent	37 040	116 747
Advertising and promotion	938 381	1 094 643
Wages, salaries and fringe benefits	3 092 063	3 113 081
Professional and administrative services	320 473	463 362
Travel	50 094	64 281
Telephone and courier	124 692	148 744
Stationery and printing	84 452	76 239
Loss on disposal of furniture and equipment	7 096	23 135
Other expenses	48 351	38 445
	$13 204 686	$13 546 829

9. Hosting events

	1988	1987
Salaries - staff at the event	$732 210	$656 554
Mounting publicity	14 435	9 246
Food services	15 009	6 782
Furnishings	907 228	891 998
Audiovisual services	98 951	80 814
Ticket printing	3 138	5 319
Security	3 668	20 216
Souvenir shop	81 485	58 128
Miscellaneous	81 012	6 756
	$1 937 136	$1 735 813

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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10. Net financial charges

	1988	1987
Interest on long-term debt	$9 017 287	$9 199 456
Amortization of deferred expenses	333 411	292 989
Other interest and bank charges	7 932	8 661
	9 358 630	9 501 106
Interest on bank balance and term deposits	624 801	920 359
	$8 733 829	$8 580 747

11. Subsidy from the gouvernement du Québec

	1988	1987
The subsidy from the gouvernement du Québec breaks down as follows:		
Operating subsidy	$17 815 103	$19 533 790
Contribution from the gouvernement du Québec to the Société's equity		
Contribution for acquisitions of fixed assets	584 897	581 210
	$18 400 000	$20 115 000

AUDITOR'S REPORT

I have examined the balance sheet of the Société du Palais des congrès de Montréal as at March 31, 1988 and the statements of revenue, expenditure and surplus and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and the change in its financial position for the year then ended, in accordance with the accounting policies stated in Note 2 applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, July 5, 1988

SOCIÉTÉ DU PARC DES EXPOSITIONS AGRO-ALIMENTAIRES
R.S.Q., c. S-14.2

REVENUE AND EXPENDITURE
for the fiscal year ended December 31, 1987

	1987	1986
		(Note 3)
REVENUE		
Interest on bank deposits	$78 104	$342 081
Gouvernement du Québec subsidy		6 686 542
	78 104	7 028 623
EXPENDITURE		
Contribution to the program to enhance Notre-Dame island and its flower gardens	499	6 435 559
Professional services	444	30 091
Fees of contract employees		39 053
Travel expenses		2 860
Interest on advances		108 386
	943	6 615 949
SURPLUS REVENUE OVER EXPENDITURE FOR THE YEAR	$77 161	$412 674

SURPLUS
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE		
Balance carried forward	$363 913	$(76 660)
Adjustments:		
Amount owed by the City of Montréal at December 31, 1986 (Note 3)	(44 355)	
Interest accrued at December 31, 1986 (Note 3)	16 456	
	(27 899)	
Adjusted balance	336 014	(76 660)
Surplus revenue over expenditure for the year	77 161	412 674
CLOSING BALANCE	$413 175	$336 014

SOCIÉTÉ DU PARC DES EXPOSITIONS AGRO-ALIMENTAIRES

BALANCE
as at December 31, 1987

	1987	1986
		(Note 3)
ASSETS		
Cash	$102 124	$101 747
Owed by the City of Montréal (Note 2)	305 845	220 785
Accounts receivable	2 634	2 634
Accrued interest	3 276	17 076
	$413 879	$342 242
LIABILITIES		
Accounts payable	$704	$6 228
SURPLUS	413 175	336 014
	$413 879	$342 242

TERMINATION OF SOCIÉTÉ OPERATIONS (Note 4)

On behalf of the Board of Directors,

Pierre Pomerleau
Ghislain Leblond

SOCIÉTÉ DU PARC DES EXPOSITIONS AGRO-ALIMENTAIRES

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution and mandate

The Société du Parc des expositions agro-alimentaires was incorporated under a special Act.

It has been mandated to perform gouvernement du Québec obligations under an agreement with the City of Montréal regarding the program to enhance Notre-Dame island and its flower gardens. Through the Société, the Government assumes 87.5% of expenditure provided for under the program up to $9 188 000; the 12.5% balance is assumed by the City of Montréal. At December 31, 1987, the Government contribution of $9 188 000 was paid in full to the Société.

2. Owed by the City of Montréal

Following the agreement reached with the City of Montréal, gouvernement du Québec contributions to the program to enhance Notre-Dame island and its flower gardens are paid into a trust account managed by the City of Montréal. Interest earned on these trust funds must be remitted to the Société.

The amount of interest receivable from the City of Montréal at December 31, 1987 totalled $305 845 ($220 785 at December 31, 1986).

3. Adjustments made to the previous fiscal year

The amount owed by the City of Montréal at December 31, 1986 was overvalued by $44 355 and accrued interest on this receivable was undervalued by $16 456 at the same date.

The financial statements for the year ended December 31, 1986 have been adjusted accordingly, resulting in an increase (decrease) in the following items:

Owed to the City of Montréal	$(44 355)
Accrued interest	16 456
Surplus	(27 899)
Surplus revenue over expenditure for the year	(27 899)

4. Termination of Société operations

During the year, the Société paid the City of Montréal $499 as final payment on the gouvernement du Québec contribution to the program to enhance Notre-Dame island and its flower gardens.

On April 15, 1987, the National Assembly passed the Act to amend the Act respecting the Société du Parc des expositions agro-alimentaires (1987, c. 20). This Act will come into force on a date set by a Government proclamation. For all intents and purposes, the Société was no longer in operation as at December 31, 1987.

SOCIÉTÉ DU PARC DES EXPOSITIONS AGRO-ALIMENTAIRES

AUDITOR'S REPORT

I have examined the balance sheet of the Société du Parc des expositions agro-alimentaires as at December 31, 1987 as well as the statements of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at December 31, 1987 and the results of its operations for the year then ended, in accordance with generally accepted accounting policies applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, August 18, 1988

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC
R.S.Q., c. S-15

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
		(Note 3)
REVENUE (Note 6)	$3 059 385	$2 747 422
OPERATING EXPENSES BY ACTIVITY SECTOR (Note 7)		
General administration	641 552	1 031 721
Buildings	409 512	321 440
Port facilities	136 491	174 331
Fixtures and equipment	112 199	110 518
Water and sewer system	169 559	88 034
Industrial water system	328 365	286 460
Road system	130 125	123 645
Parking lots	93 826	150 027
	2 021 629	2 286 176
Depreciation on fixed assets	1 955 560	1 852 068
	3 977 189	4 138 244
SURPLUS EXPENDITURE OVER REVENUE	917 804	1 390 822
Debt service and participation in water and sewer system in the Ville de Bécancour (Note 8)	5 012 463	5 351 062
SURPLUS EXPENDITURE OVER REVENUE BEFORE THE FOLLOWING ITEM	5 930 267	6 741 884
Expenditure assumed by the gouvernement du Québec (Note 9)	6 691 602	6 930 991
SURPLUS REVENUE OVER EXPENDITURE	$761 335	$189 107

EQUITY
for the fiscal year ended March 31, 1988

	1988	1987
OPENING EQUITY		
Balance carried forward -- equity	$6 332 304	$4 268 365
Adjustment Recording of depreciation on fixed assets (Note 3)	15 830 302	13 978 234
Adjusted balance	(9 497 998)	(9 709 869)
Surplus revenue over expenditure	761 335	189 107
Acquisitions of fixed assets assumed by the gouvernement du Québec	24 168	22 764
CLOSING DEFICIT	$8 712 495	$9 497 998

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
		(Note 3)
OPERATING ACTIVITIES		
Surplus revenue over expenditure	$761 335	$189 107
Items not affecting liquid assets:		
Depreciation on fixed assets	1 955 560	1 852 068
Loss on disposal of fixed assets		11 582
Gain on the sale of lots	(263 630)	(4 683)
	2 453 265	2 048 074
Proceeds from the sale of lots	164 126	4 750
Acquisitions of lots for sale	(126 022)	(50 684)
Change in current assets and liabilities excluding liquid assets	1 805 048	(554 224)
Funds generated by operating activities	4 296 417	1 447 916
FINANCING ACTIVITIES		
Long-term debt	15 000 000	51 400 000
Redemption of long-term debt	(17 442 930)	(51 608 025)
Funds absorbed by financing activities	(2 442 930)	(208 025)
INVESTMENT ACTIVITIES		
Acquisitions of fixed assets	(2 472 601)	(705 469)
Subsidy from the gouvernement du Québec	238 052	69 727
	(2 234 549)	(635 742)
Contribution from the gouvernement du Québec for the acquisition of fixed assets	24 168	22 764
Proceeds from the disposal of fixed assets		475
Funds absorbed by investment activities	(2 210 381)	(612 503)
INCREASE (DECREASE) IN LIQUID ASSETS DURING THE FISCAL YEAR	(356 894)	627 388
OPENING LIQUID ASSETS	722 000	94 612
CLOSING LIQUID ASSETS	$365 106	$722 000

The Société's liquid assets include cash less the bank loan.

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
		(Note 3)
ASSETS		
CURRENT ASSETS		
Cash	$494 106	$722 000
Accounts receivable	937 885	654 104
Subsidy receivable		69 727
Prepaid expenses	191 637	63 131
Balance on sale price of lots	36 620	
	1 660 248	1 508 962
BALANCE ON SALE PRICE OF LOTS	86 620	
LOTS FOR SALE	4 137 199	4 034 913
FIXED ASSETS (Note 4)	37 791 048	37 512 059
	$43 675 115	$43 055 934
LIABILITIES		
CURRENT LIABILITIES		
Bank loan	$129 000	
Accounts payable	8 707	2 001
Deposits on sales of lots	1 161 546	34 428
Progressive assessments and holdbacks on contracts	1 088 357	74 573
	2 387 610	111 002
LONG-TERM DEBT (Note 5)	50 000 000	52 442 930
DEFICIT	8 712 495	9 497 998
	$43 675 115	$43 055 934

COMMITMENTS AND CONTINGENT LIABILITIES (notes 10 and 11)

On behalf of the Société,

Nicole D. Gélinas
Pierre Clouâtre

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

Founded under the Act respecting the Société du parc industriel du centre du Québec, the Société has been given the task of promoting the industrial development of the Bécancour area by establishing an industrial park there and equipping it with the facilities required for its development.

Under the terms of its Act of incorporation, the funds from Société operations are to be used to pay taxes and reimburse the corporation's debts and other commitments as well as any Government advances it receives, with any balance to be transferred to the Consolidated Revenue Fund.

2. Accounting policies

The Société's financial statements have been prepared by management using the accrual method in accordance with the accounting policies described below. They include amounts based on best estimates and judgment.

Lots for sale

Lots for sale are recorded at cost. Municipal and school taxes along with any interest charges on these lots are charged to operations.

The sale of a lot is entered when the notarized deed is executed.

Fixed assets

Fixed assets are shown at their original cost, less attendant subsidies from the gouvernement du Québec. They are depreciated using the straight-line method, at various rates, based on their service life.

Expenses not shown on the statement of revenue and expenditure

The cost of fringe benefits paid to Société employees, including the employer contribution to Government pension plans, and that of certain support services, are assumed by various Government departments and agencies and are not shown on the statement of revenue and expenditure.

3. Change in accounting policies

Fixed assets are depreciated beginning this fiscal year. This change, applied retroactively, has resulted in a decrease in the following items:

	1988	1987
Fixed assets	$17 778 192	$15 830 302
Accounts payable	17 778 192	15 830 302
Surplus revenue over expenditures	1 955 560	1 852 068

Comparative figures from 1987 have been adjusted to give effect to this change.

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

4. Fixed assets

	1988			1987
	Cost*	Accumulated depreciation	Net	Net
Land	$68 798		$68 798	$40 131
Buildings	4 430 736	$1 542 746	2 887 990	3 006 855
Water and sewage	4 907 890	2 411 127	2 496 763	2 606 644
Road system	5 442 390	3 380 963	2 061 427	1 958 992
Warehousing and parking	262 307	120 788	141 519	154 130
Port facilities	34 537 260	8 313 527	26 223 733	27 254 203
Industrial water treatment facilities	4 841 146	1 596 173	3 244 973	1 902 064
Rail network	338 787	80 027	258 760	266 954
Furniture and improvements	53 826	20 426	33 400	37 059
Office furniture	133 576	75 893	57 683	53 578
Equipment and tools	63 366	49 392	13 974	19 926
Industrial machines	287 617	44 728	242 889	137 972
Rolling stock	199 541	142 402	57 139	73 551
Gazoduc	2 000		2 000	
	$55 569 240	$17 778 192	$37 791 048	$37 512 059

* Initial cost less attendant gouvernement du Québec subsidies.

5. Long-term debt

	1988	1987
Term notes, Industrial Bank of Japan, The Yasuka Fire and Marine Insurance Co. Ltd., The Nissan Fire and Marine Insurance Co. Ltd., guaranteed by the gouvernement du Québec, 9.57%, interest payable semi-annually, no payment of principal, maturing in 1993	$35 000 000	$35 000 000
Term note		16 400 000
Bank acceptances at 8.8%	15 000 000	
	50 000 000	51 400 000
Advances from the gouvernement du Québec:		1 042 930
	$50 000 000	$52 442 930

* This bank acceptance is treated as a long-term acceptance since it will be replaced by a long-term borrowing.
emprunt à long terme.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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6. Revenue

	1988	1987
Sale of lots:		
Lots sold	$287 366	$4 750
Cost of lots sold	23 736	67
	263 630	4 683
Other revenue:		
Rent - buildings	289 159	574 810
Rent - land	468 352	325 662
Port duties	1 268 716	1 193 337
Industrial water treatment	412 469	339 970
Drinking water treatment	150 766	123 159
Interest on cash and term deposits	48 340	29 901
Repayment of certain maintenance fees by the city of Bécancour	143 563	133 547
Miscellaneous	14 390	22 353
	2 795 755	2 742 739
	$3 059 385	$2 747 422

7. OPERATING EXPENSES BY CATEGORY

	1988	1987
Wages, salaries, and allowances	$744 332	$723 654
Material and supplies	488 658	410 906
Maintenance and repairs	401 641	301 605
Property taxes	271 018	277 824
Professional services	220 281	230 998
Bad debts	(170 852)	170 852
Transportation and communications	58 879	115 932
Rent	2 972	34 862
Loss on the disposal of fixed assets		11 582
Other	4 700	7 961
	$2 021 629	$2 286 176

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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8. Debt service and participation in the water and sewer systems of the Ville de Bécancour

	1988	1987
Interest on long-term debt		
Gouvernement du Québec	$18 653	$2 324 645
Term note and bank acceptance	4 751 486	2 780 553
	4 770 139	5 105 198
Participation in the water and sewer systems of the Ville de Bécancour	289 574	293 114
Subsidy from the ministère des Affaires municipales	(47 250)	(47 250)
	$5 012 463	$5 351 062

9. Expenditure assumed by the gouvernement du Québec

	1988	1987
Wages, salaries, and allowances	$744 332	$723 654
Interest on long-term debt		
Gouvernement du Québec	18 653	2 324 645
Term note and bank acceptance	4 751 486	2 780 553
Materials and supplies	488 658	410 906
Maintenance and repairs	401 641	301 605
Professional services	220 281	230 998
Transportation and communications	58 879	115 932
Rent	2 972	34 862
Other	4 700	7 836
	$6 691 602	$6 930 991

10. Commitment

Ville de Bécancour debt service

Under the terms of an agreement with the Ville de Bécancour and the Government that was ratified on April 11, 1973, the Société is authorized to take part in financing, until 2011, the water and sewer systems serving part of the city and the industrial park.

The Société has committed itself to servicing the annual debt with respect to two loans taken out by the Ville de Bécancour, less any subsidies from the ministère des Affaires municipales in connection with these loans and certain other revenue sources.

Change during the fiscal year in borrowings associated with this commitment:

Initial Issues	At March 31, 1987	Payment during fiscal year			At March 31, 1988
		Amount	Interest	Principal	
$1 000 000	$82 000	$6 970	$6 970		$82 000
1 478 000	1 319 000	187 028	168 028	$19 000	1 300 000
672 000	608 000	64 650	56 650	8 000	600 000
450 000	220 900	30 926	30 926		220 900
$3 600 000	$2 229 900	$289 574	$262 574	$27 000	$2 202 900

SOCIÉTÉ DU PARC INDUSTRIEL DU CENTRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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10. Commitments (cont'd)

Contracts related to development and facilities of the industrial park

The Société's commitments to contractors under contracts granted for facilities work not completed totalled $4 125 766 at March 31, 1988.

11. Contingent liabilities

- A Superior Court decision handed down August 24, 1983 orders the Société to pay a sum of $912 823 with interest to the Corporation Construction Cartier for dredging work. Accrued interest at March 31, 1988 stands at $336 119.

  On September 12, 1983, the Société's Board of Directors, acting on the advice of legal counsel, decided to appeal the decision. No liability has therefore been entered on the books at March 31, 1988. Should the ruling be upheld, the claim will be recorded.

- As the result of a lawsuit filed by a contractor against a company responsible for port installation work, the said company received authorization in February 1987 to use the Société as guarantor for the amount of $846 890. The Société and its legal counsel are of the opinion that no significant liability can result from this claim and, therefore, no provision has been set up.

- A lawsuit in the amount of about $113 000 was filed against the Société in 1980 by Atomic Energy of Canada. Since the Société and its legal counsel are of the opinion that no significant liability can result from this action, no accounting provision has been set aside for this purpose.

Any amounts resulting from the outcome of the above contingent liabilities will be charged to fixed assets on the date of payment.

AUDITOR'S REPORT

I have examined the balance sheet of the Société du parc industriel du centre du Québec as at March 31, 1988 and the statements of revenue and expenditure, deficit and change in financial position for the fiscal year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the fiscal year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in recording of depreciation on fixed assets described in Note 3.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 10, 1988

SOCIÉTÉ DU PARC INDUSTRIEL ET COMMERCIAL
AÉROPORTUAIRE DE MIRABEL
R.S.Q., c. S-16
STATEMENT OF CHARGES CAPITALIZED TO THE AIRPORT
INDUSTRIAL AND COMMERCIAL PARK
for the fiscal year ended March 31, 1988

	1988	1987	Cumulative to March 31, 1988
FIXED ASSETS			
Industrial facilities and basic infrastructure			
Wastewater treatment			$2 242 537
Site development			1 486 865
Downtown Mirabel development			500 000
Development plans, surveying, engineering and project management			558 070
Operation of facilities (Note 5)	$132 918	$105 615	823 783
	132 918	105 615	5 611 255
ADMINISTRATION			
Wages, salaries and fringe benefits			1 335 186
Rent and other charges	3 424	8 550	1 633 405
	3 424	8 550	2 968 591
Charges capitalized to the airport industrial and commercial park before the deduction of interest on bank deposits	136 342	114 165	8 579 846
Interest on bank deposits			362 041
CHARGES CAPITALIZED TO THE AIRPORT INDUSTRIAL AND COMMERCIAL PARK	$136 342	$114 165	$8 217 805

STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
(Increase) decrease in accounts receivable	$(13 895)	$37 410
Decrease in advance payment		5 763
Increase (decrease) in accounts payable	113 691	(29 201)
(Decrease) increase in deferred revenue	(1 683)	6 727
	98 113	20 699
FINANCING ACTIVITY		
Net increase in shareholder participation	34 955	89 262
INVESTMENT ACTIVITY		
Charges capitalized to the airport industrial and commercial park	(136 342)	(114 165)
NET DECREASE IN CASH POSITION	(3 274)	(4 204)
OPENING CASH POSITION	30 333	34 537
CLOSING CASH POSITION	$27 059	$30 333

SOCIÉTÉ DU PARC INDUSTRIEL ET COMMERCIAL AÉROPORTUAIRE DE MIRABEL

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$27 059	$30 333
Accounts receivable	69 192	55 297
	96 251	85 630
AIRPORT INDUSTRIAL AND COMMERCIAL PARK		
Infrastructure (notes 3 and 6)	8 217 805	8 081 463
	$8 314 056	$8 167 093
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$204 074	$90 383
Deferred revenue	5 044	6 727
	209 118	97 110
SHAREHOLDER'S EQUITY		
Capital stock (Note 4)	1 000	1 000
Shareholder participation	8 103 938	8 068 983
	8 104 938	8 069 983
	$8 314 056	$8 167 093

On behalf of the Board of Directors,

Jean-Maurice Éthier, Director
Yves Rancourt, Director

**SOCIÉTÉ DU PARC INDUSTRIEL ET COMMERCIAL
AÉROPORTUAIRE DE MIRABEL**

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution

Under an umbrella agreement between the governments of Canada and Québec that made provision for the signing of subsidiary agreements on project development, the Canada-Québec agreement on the Mirabel airport industrial and commercial park 1976-1979 was signed on June 18, 1976. Following this subsidiary agreement, which was subsequently extended to March 31, 1982, the gouvernement du Québec formed the Société du parc industriel et commercial aéroportuaire de Mirabel by an Act given approval June 30, 1976.

An application for the extension of the agreement was submitted to the parties concerned during the fiscal year ended March 31, 1982. The gouvernement du Québec indicated its intention to renew the subsidiary agreement, while the federal government made known its intention to withdraw from the Société. The gouvernement du Québec, therefore, became the sole shareholder of the Société.

2. Main accounting policies

Infrastructure

Infrastructure costs include those directly related to various projects as well as Société administrative expenses, less interest on bank deposits. During the fiscal year ended March 31, 1988, the Société was still developing the site and therefore no depreciation has been recorded.

Shareholder participation

Amounts made available to the Société by the shareholder are shown as participation in the financial statements.

3. Infrastructure

Land covered by airport industrial and commercial park development projects is owned by the Government of Canada.

4. Capital stock

	1988	1987
Authorized		
1 000 common shares with a par value of $1 each		
Issued		
1 000 common shares	$1 000	$1 000

5. Operation of facilities

For the fiscal year ended March 31, 1988, $61 680 ($56 144 in 1987) was recorded as consideration for the use of certain facilities owned by the Société. This consideration was applied against the operating costs of facilities.

Total network operating costs were reduced by the share paid by the Ville de Mirabel and Fondoir Laurentide Inc.

6. Subsequent event

On June 1, 1988, the Société turned all equipment and waterworks and sewer networks over to the city of Mirabel. The shareholder paid the city of Mirabel the sum of $800 000 as consideration for operation, maintenance and repairs to equipment and waterworks and sewer networks.

**SOCIÉTÉ DU PARC INDUSTRIEL ET COMMERCIAL
AÉROPORTUAIRE DE MIRABEL**

AUDITORS' REPORT

To the shareholder,
Société du parc industriel et
commercial aéroportuaire de Mirabel

We have examined the balance sheet of the Société du parc industriel et commercial aéroportuaire de Mirabel as at March 31, 1988 and the statements of charges capitalized to the airport industrial and commercial park and change in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and therefore included such tests and other procedures as we considered necessary in the circumstances. We obtained all information and explanations we requested.

In our opinion, from the information and explanations provided to us and that shown in the Société's books, these financial statements present fairly the financial position of the Société at March 31, 1988 and the change in its financial position for the fiscal year then ended, in accordance with generally accepted accounting policies applied on a basis consistent with that of the preceding year.

Charette, Fortier, Hawey
Touche Ross,
Chartered Accountants

Montréal, June 29, 1988

SOCIÉTÉ DU PORT FERROVIAIRE DE BAIE-COMEAU-HAUTERIVE
S. Q., 1975, c. 48

REVENUE, EXPENDITURE AND SURPLUS
for the fiscal year ended December 31, 1987

	1987	1986
REVENUE		
Tolls	$1 355 113	$1 191 930
Other	2 770	4 255
	1 357 883	1 196 185
EXPENDITURE		
Operating and administrative expenses		
Services	377 568	318 824
Management contract	48 000	48 000
Municipal and school taxes	339 876	287 230
Insurance	57 032	29 257
Maintenance, repairs and electricity	181 663	202 665
Salaries, wages, fringe benefits and attendance fees for members of the board of Directors	13 863	15 194
Travel expenses	13 189	11 815
Office expenses	22 370	22 752
Professional fees	2 009	5 029
	1 055 570	940 766
Interest on bank loan	11 396	38 586
	1 066 966	979 352
SURPLUS REVENUE OVER EXPENDITURE BEFORE DEPRECIATION	290 917	216 833
Depreciation on the railport complex	60 240	61 775
SURPLUS REVENUE OVER EXPENDITURE	230 677	155 058
OPENING SURPLUS	1 032 651	877 593
CLOSING SURPLUS	$1 263 328	$1 032 651

SOCIÉTÉ DU PORT FERROVIAIRE DE BAIE-COMEAU-HAUTERIVE

BALANCE SHEET
as at December 31, 1987

	1987	1986
ASSETS		
CURRENT ASSETS		
Cash	$76 810	
Accounts receivable	104 616	$64 661
Prepaid expenses	16 331	11 631
	197 757	76 292
RAILPORT COMPLEX (Note 3)		
Charges capitalized	9 616 474	9 585 405
Less: Contributions	7 831 772	7 831 772
	1 784 702	1 753 633
Accumulated depreciation	640 150	579 910
	1 144 552	1 173 723
	$1 342 309	$1 250 015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$78 981	$24 200
Outstanding cheques less cash		33 164
Bank loan		160 000
	78 981	217 364
SURPLUS	1 263 328	1 032 651
	$1 342 309	$1 250 015

On behalf of the Board of Directors,

Jacques Asselin
Michel Caron

SOCIÉTÉ DU PORT FERROVIAIRE DE BAIE-COMEAU-HAUTERIVE

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution and purpose

A non-profit corporation incorporated under a special Act and governed by Part 3 of the Companies Act, the Société is responsible for operating the railport complex at Baie-Comeau.

2. Accounting policies

The Société's financial statements were prepared by management according to generally accepted accounting policies. They include amounts based on best estimates and judgment.

Railport complex

After contributions have been subtracted, charges capitalized to the railport complex made up of a dock and attendant facilities are depreciated at a rate of 5% annually using the diminishing balance method.

3. Railport complex

	1987	1986
Charges capitalized - at cost	$9 616 474	$9 585 405
Less: Contributions		
Gouvernement du Québec	3 831 772	3 831 772
Government of Canada	2 000 000	2 000 000
Ville de Baie-Comeau	1 000 000	1 000 000
Canadian National	1 000 000	1 000 000
	7 831 772	7 831 772
	$1 784 702	$1 753 633 $
Additional charges capitalized for the fiscal year	$31 069	$3 505

The railport complex is built on land under lease from the Government of Canada, the gouvernement du Québec and the Compagnie de papier Q.N.S. Limitée. Annual rental for the land comes to $378.

SOCIÉTÉ DU PORT FERROVIAIRE DE BAIE-COMEAU-HAUTERIVE

AUDITOR'S REPORT

I have examined the balance sheet of the Société du port ferroviaire de Baie-Comeau - Hauterive as at December 31, 1987 and the statement of revenue, expenditure and surplus for the fiscal year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at December 31, 1987 and the results of its operations for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

For the Auditor General of Québec,
Guy Breton, C.A.
Assistant Auditor General

Québec, February 22, 1988

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC
R.S.Q., c. S-17

CONSOLIDATED STATEMENT OF OPERATING RESULTS
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
SALES	492 725	315 639
PROFIT BEFORE THE FOLLOWING ITEMS	32 082	18 003
Less		
Depreciation on fixed assets	20 172	11 450
Amortization of start-up costs	7 022	2 273
Other amortization and depreciation	709	79
Interest and charges on the long-term debt	15 770	3 370
Interest and charges on the short-term debt	3 339	4 481
	47 012	21 653
Plus		
Investment earnings	10 964	3 496
Share of profits of an unconsolidated subsidiary and of affiliated companies	44 670	40 031
	55 634	43 527
PROFIT BEFORE INCOME TAXES, MINORITY INTERESTS AND EXTRAORDINARY ITEMS	40 704	39 877
Income taxes		73
PROFIT BEFORE MINORITY INTERESTS AND EXTRAORDINARY ITEMS	40 704	39 950
Minority interests	11 014	(275)
PROFIT BEFORE EXTRAORDINARY ITEMS	51 718	39 675
Extraordinary items (Note 9)	142 248	2 982
NET PROFIT FOR THE YEAR	193 966	42 657

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
RETAINED EARNINGS - OPENING BALANCE	128 360	85 691
Net profit	193 966	42 657
Share of foreign currency translation adjustments of an unconsolidated company	(2 588)	12
RETAINED EARNINGS - CLOSING BALANCE	319 738	128 360

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31
(in thousands of dollars)

	1987	1986
NET CASH RECEIPTS (OUTLAYS) RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Liquid assets generated by operations, before extraordinary items (Note 10)	24 859	13 368
Increase in holdbacks on contracts and other	(8 353)	(1 473)
Dividends from unconsolidated companies		1 171
Share of income taxes recovered		2 389
Costs relating to a subsidiary's withdrawal from an activity sector		(799)
Change in non-cash items of the working capital for operations (Note 11)	15 762	(33 831)
	32 268	(19 175)
FINANCING ACTIVITIES		
Issue of common stock		32 000
Net increase in long-term debt	87	81 372
Increase (decrease) in long-term advances on contracts and deferred revenue	32 724	(2 445)
Increase (decrease) in the share of minority shareholders	13 451	(587)
Increase in tax shield to be recovered	(1 206)	
	45 056	110 340
INVESTMENT ACTIVITIES		
Decrease (increase) in investments, net	146 012	(20 000)
Construction in progress		(79 514)
Start-up costs	(6 256)	(26 489)
Increase in fixed assets, net	(40 592)	(6 847)
Disposal of investments	1 355	413
Disposal of a subsidiary (net of liquid assets)		9 251
Bank deficit (liquid assets) of subsidiary not included in consolidation	197	(82 875)
Cost of investment acquisitions and sales	(4 640)	
Costs related to the rationalization and specialization of a subsidiary	(2 283)	
	93 793	(206 061)
INCREASE (DECREASE) IN LIQUID ASSETS	171 117	(114 896)
LIQUID ASSETS - OPENING BALANCE	(39 822)	75 074
LIQUID ASSETS - CLOSING BALANCE	131 295	(39 822)

Liquid assets consist of cash and term deposits, less bank loans.

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

CONSOLIDATED BALANCE SHEET
as at December 31
(in thousands of dollars)

	1987	1986
CURRENT ASSETS		
Cash and term deposits	173 292	12 683
Accounts receivable	124 733	73 270
Contracts in progress and inventories (Note 3)	41 198	42 356
Prepaid expenses	3 369	4 409
	342 592	132 718
LONG-TERM ASSETS		
Investments (Note 4)	398 234	345 471
Construction in progress		250 943
Fixed assets less depreciation of $137 888 000 ($68 831 000 in 1986)	357 914	91 756
Start-up costs less depreciation of $9 295 000 ($2 273 000 in 1986)	26 768	27 534
Other assets (Note 5)	14 897	6 731
	797 813	722 435
	1 140 405	855 153
CURRENT LIABILITIES		
Bank loans (Note 6)	41 997	52 505
Accounts payable	97 074	60 268
Progress billing, net costs of current contracts	41 762	1 691
Portion of long-term advances under one year	12 500	
Current portion of long-term debt	13 608	2 105
	206 941	116 569
LONG-TERM LIABILITIES		
Long-term debts (Note 7)	212 500	234 541
Gain on deferred exchange	9 605	
Long-term advances on contracts and deferred revenue	35 841	15 617
Minority shareholders' interest	5 770	10 056
	263 716	260 214
SHAREHOLDER EQUITY		
Capital stock (Note 8)	347 500	347 500
Contributed surplus	2 510	2 510
Retained earnings	319 738	128 360
	669 748	478 370
	1 140 405	855 153

Approved by the Board of Directors,

Yvon Marcoux, Director
Georges Pouliot, Director,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the fiscal year ended December 31

1. Summary of major accounting policies

a) Consolidation

Companies included in consolidation, and their respective percentage participations, are as follows:

	1987	1986
	% participation	
Dofor Inc. (I)	100.0	
Marine Industries Limitée and its subsidiaries	65.0	65.0
Éthylec Inc. (II)	100.0	100.0
Industries Tanguay Inc.	99.6	98.5
Bio-Méga Inc.	100.0	100.0
Société générale d'aluminerie Inc. (IV)	100.0	100.0
Société québécoise d'aluminium Inc. and its subsidiary	100.0	100.0

I) At December 31, 1986, the Société's investments in Dofor Inc and its subsidiary Donohue were shown at equity value as the Société had announced its intention to dispose of its subsidiaries.

During fiscal 1987, the Société disposed of its investment in Donohue, but decided to keep its investment in Dofor Inc. Consequently, the financial statements of Dofor Inc. are consolidated at December 31, 1987.

II) The accounts of this subsidiary represent the company's share in Pétromont, a limited partnership, Pétromont Inc., Alcools de Commerce Enrg., and Pipeline Shawinigan Enrg. and are recorded using proportionate accounting.

III) The accounts of this subsidiary represent the company's share in the Bécancour aluminum smelter project and in Aluminerie de Bécancour Inc. through a limited partnership, Albecour.

The operating results of subsidiaries and affiliates are included in the consolidated results as of the acquisition of the participation and until their sale, as the case may be.

b) Investments

Investments in other companies in which the SGF holds sufficient shares to influence management decisions are shown at equity value. All other investments are shown at cost.

c) Inventories

Goods are valued at the lesser of average cost and net realization value.

d) Fixed assets and depreciation

Fixed assets are recorded at acquisition cost, less any applicable subsidies. Virtually all depreciation is calculated using the straight-line method over the anticipated service life.

e) Consolidated goodwill

Goodwill is amortized using the straight-line method over forty years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31

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1. **Summary of major accounting policies** (cont'd)

f) Income tax and deferred income tax

Profits of the SGF and its wholly-owned subsidiaries are not subject to income tax. Companies subject to income tax make use of tax deferral.

g) Start-up costs

Start-up costs are valued at cost and include any expenditure for the operation of an aluminum smelter. Since 1986, they include administration costs, financial costs and any expenditure in excess of the operating costs that would be generated by the plant under normal operating conditions. In March 1987, the plant was no longer considered in a start-up period and began normal operations.

Effective May 1986, the above costs are amortized using the straight-line method over a period of five years in proportion to the number of vats marketed.

h) Foreign exchange transactions

Accounts in foreign currency are translated into Canadian dollars as follows:

- Monetary assets and liabilities are translated at the rate of exchange in effect on the date of the balance sheet.
- Costs incurred for fixed assets are translated at the rates in effect on the dates of the transactions.
- The long-term debt is translated at the rate in effect on the date of the balance sheet.
- Inventories, revenue and expenditures are translated at the rates in effect on the transaction dates.

i) Deferred exchange losses and gains

These losses and gains represent unrealized exchange losses on the long-term debt of a subsidiary. Exchange losses and gains are not amortized since there is assurance that future inflows of funds in U.S. dollars will provide effective coverage against exchange risks on long-term debts in U.S. dollars.

j) Pension plans

The cost of defined benefit pension plans for current service is posted to operating results for the fiscal year. The cost of past service as well as any actuarial surplus or deficit are amortized over the average length of future service of employees covered under the plans.

2. **Acquisition of subsidiaries**

At January 30, 1987, Marine Industrie Limitée had acquired all outstanding shares in Versatile Davie Inc., Versatile Vickers Inc. and Versatile Systems Engineering Inc. The companies' operations are included in the consolidated financial statements from the date of acquisition. The net assets acquired for $18 906 000, are recorded using the straight purchase method.

3. **Contracts in progress and inventories**

	1987	1986
	(in thousands of dollars)	
Contracts in progress, at cost	3 427	3 053
Inventories	37 771	39 303
	41 198	42 356

4. Investments

	1987		1986	
	%	(in thousands of dollars)	%	(in thousands of dollars)
Investments at equity value				
Dofor Inc.			90.7	293 529
Domtar Inc. (market value $342 214 000)	28.0	348 357		
Investments, at cost		7 377		6 942
Subordinate debentures, 6%, payable from 1989 to 1997		22 500		25 000
Subordinate notes, at a maximum rate of 8½% for the first five years, payable in 1998		20 000		20 000
		398 234		345 471

5. Other assets

	1987	1986
	(in thousands of dollars)	
Holdbacks on contracts and other	12 542	4 189
Consolidated goodwill		840
Loss on deferred exchange		548
Investment tax credit, net income tax over deferred revenue	2 355	1 154
	14 897	6 731

6. Bank loans

Some bank loans are guaranteed by assignment of accounts receivable and inventories for a book value of about $124 530 000 as well as fixed and floating charges of certain subsidiary property.

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7. Long-term debts

	1987	1986
	(in thousands of dollars)	
SGF		
Notes payable to the shareholder, 10¼%		15 000
Subsidiaries		
First mortgage bonds guaranteed by a floating charge payable by variable annual instalments at a rate of 11 1/8%, maturing in 1991	5 460	6 620
Bank loans, at prime rate or 3/8% above the LIBOR rate, at the borrower's discretion, guaranteed by the Province of Québec, repayable beginning in 1988	194 698	186 097
Bank loans, prime rate plus ¼ of 1%, guaranteed by mortgage bonds, maturing in 1996	4 750	5 000
Loan guaranteed by direct costs on fixed assets, bearing interest at the prime rate, repayable over ten years	9 010	
Accounts payable to be financed by long-term debts and the issue of common stock in 1987		16 384
Owed the federal government, no interest, repayable beginning in 1991	3 333	
Notes payable, at various rates and maturities	5 867	4 245
Interest-free borrowing, maturing in 2001	2 990	2 800
	226 108	236 646
Portion under one year	13 608	2 105
	212 500	234 541

The total long-term debt amounting to $226 108 000 includes $149 000 000 ($135 000 000 in 1986) in U.S. dollars.

During fiscal 1985, a subsidiary reached interest payment exchange agreements to determine the long-term borrowing cost for a debt at variable interest rates. At December 31, 1987, the subsidiary had determined the fixed rates at US$70 000 000, at an average effective interest rate of 9.90% over an average period of 3.3 years.

Payments required over the next five years on the long-term debt are as follows:

	$ Can	$ U.S.
1988	3 873 000	7 450 000
1989	3 705 000	14 900 000
1990	3 834 000	14 900 000
1991	4 743 000	16 763 000
1992	3 042 000	18 625 000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended December 31

8. Capital stock

SGF shares are held by the gouvernement du Québec.

	1987	1986
	(in thousands of dollars)	
Authorized (shares with a par value of $10)		
41 500 000 common shares		
Issued and fully paid		
34 750 000 common shares	347 500	347 500

9. Extraordinary items

	1987	1986
	(in thousands of dollars)	
Share in predicted costs and loss at closing of subsidiary divisions	(8 919)	
Share in realization of tax shields by a subsidiary		1 553
Share of extraordinary items of an unconsolidated company		2 249
Loss on write down of investment	(1 274)	
Profit on the sale of investments	154 682	165
Share in costs related to rationalization and specialization of a subsidiary	(2 241)	(985)
	142 248	2 982

10. Liquid assets generated by operations

	1987	1986
	(in thousands of dollars)	
Profit for the year before extraordinary items	51 718	39 675
Items not affecting liquid assets		
Depreciation on fixed assets	20 172	11 450
Amortization of start-up costs	7 022	2 273
Other depreciation and amortization	709	79
Profit on disposal of fixed assets	(169)	(29)
Deferred income taxes	5	(324)
Share in profits of an unconsolidated subsidiary and affiliated companies	(44 670)	(40 031)
Minority interests	(11 014)	275
Long-term assets written off	1 086	
	24 859	13 368

11. Change in working capital

	1987	1986
	(in thousands of dollars)	
Increase in accounts receivable	(51 316)	(9 498)
Decrease (increase) in contracts in progress and inventories	662	(34 308)
Decrease in subscriptions receivable		17 335
Decrease (increase) in prepaid expenses	1 037	(2 846)
Increase (decrease) in accounts payable	25 308	(4 514)
Increase in progress billing, net cost of current contracts	40 071	
	15 762	(33 831)

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12. Commitments

Éthylec Inc.

Pétromont, a limited partnership, affiliated with Éthylec Inc., may be required to reimburse, either in whole or in part, financial assistance of $50 000 000 received in 1983 and 1984 from the governments of Canada and of Québec, out of a portion of future profits from some of its plants.

In addition, under the terms of an agreement reached January 18, 1985, the gouvernement du Québec has agreed to compensate Pétromont for losses incurred at its Varennes plant and its polyethylene plant in Montréal-Est until September 9, 1988, unless previously terminated in accordance with the provisions to that effect included in the agreement. This agreement further includes a number of provisions which may result in Pétromont's redeeming a portion of Government assistance received. This redemption totalled $6 400 000 for the fiscal year ended December 31, 1987 and may not exceed $6 400 000 for each of the fiscal years ended December 31, 1988 and December 31, 1989.

Under the terms of an agreement reached August 20, 1986, Pétromont will receive a financial contribution of up to $55 800 000 to reimburse the company's capital costs to be incurred to modernize and convert the facilities of its Varennes plant. During the year ended December 31, 1987, Pétromont recorded $20 314 297 ($20 275 986 in 1986) under this agreement.

Donohue St-Félicien Inc.

Under the terms of an agreement reached in June 1977, SGF agreed to lend the funds required by Donohue St-Félicien Inc. to pay the interest and principal on first mortgage bonds with a par value of US$100 000 000 and $35 000 000 issued by the latter, if such funds were not otherwise available. At December 31, 1987, the balance of these bonds amounted to US$62 500 000 and $21 875 000 and the borrower anticipates having the funds needed to pay the annual principal and interest instalment in July 1987.

This SGF commitment is guaranteed by the gouvernement du Québec.

Leases

The main leases under which companies are currently bound and whose maturities extend until 1997 total $12 123 000.

13. Comparative figures

Some figures for 1986 have been reclassified for consistency with the presentation adopted in 1987.

AUDITORS' REPORT

To the Société générale
de financement du Québec shareholder:

We have examined the consolidated balance sheet of the Société générale de financement du Québec as at December 31, 1987 and the consolidated statements of operating results, retained earnings and change in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Société générale de financement du Québec at December 31, 1987 and the operating results and change in its financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

Samson Bélair,
Chartered Accountants

Montréal, February 19, 1988

SOCIÉTÉ GÉNÉRALE DES INDUSTRIES CULTURELLES
R.S.Q., c. S-10.01

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Interest on short-term investments and loans	$1 761 537	$1 823 158
Gouvernement du Québec subsidy	1 037 634	1 100 000
Share in the income of limited partnership	152 297	115 628
	2 951 468	3 038 786
EXPENDITURE		
Provision for losses on loans and investments in capital stock of companies (Note 8)	3 112 689	1 051 149
Recovery of loans written off	(1 378)	(18 985)
Loan recovery expenses	9 354	773
Administrative expenses	1 379 742	1 233 184
Interest on bank loan		194 219
	4 500 407	2 460 340
NET REVENUE (NET LOSS)	$(1 548 939)	$578 446

DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$1 681 285	$2 259 731
Net loss (net revenue)	1 548 939	(578 446)
Integration March 30 of surplus of the Société générale du cinéma du Québec (Note 2)	(143 487)	
CLOSING BALANCE	$3 086 737	$1 681 285

SOCIÉTÉ GÉNÉRALE DES INDUSTRIES CULTURELLES

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Funds generated by operations (Note 13)	$1 446 139	$1 554 707
Change in assets and liabilities other than liquid assets	13 733	349 791
Funds generated by operating activities	1 459 872	1 904 498
FINANCING ACTIVITIES		
Stock issue		1 000 000
Repayment of bank loan		(3 000 000)
Funds absorbed by financing activities		(2 000 000)
INVESTMENT ACTIVITIES		
Investments made		
Loans	(12 122 027)	(8 921 486)
Acquisition of fixed assets	(33 418)	(18 679)
Investment in capital stock of companies		(739 000)
Loans converted into investment in capital stock of companies		(895 420)
	(12 155 445)	(10 574 585)
Investments made		
Repayment of loans	9 015 879	10 525 457
Disposal of investment in capital stock of companies		125 001
Repayment of loan to limited partnership	610 000	885 000
Withdrawals within the limited partnership	381 750	203 600
Funds (absorbed) generated by financing activities	(2 147 816)	1 164 473
LIQUID ASSETS GENERATED UPON CONSOLIDATION OF THE SOCIÉTÉ GÉNÉRALE DU CINÉMA	3 420 421	
INCREASE IN LIQUID ASSETS DURING THE YEAR	2 732 477	1 068 971
OPENING CASH AND SHORT-TERM INVESTMENTS	2 421 416	1 352 445
CLOSING CASH AND SHORT-TERM INVESTMENTS	$5 153 893	$2 421 416

SOCIÉTÉ GÉNÉRALE DES INDUSTRIES CULTURELLES

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
Loans (Note 4)	$14 518 909	$12 446 237
Investments in capital stock of companies (Note 5)	1 061 445	2 977 445
Investment in limited partnership -- at equity value (Note 6)	23 076	862 529
	15 603 430	16 286 211
Cash and short-term investments	5 153 893	2 421 416
Cash -- deposit in trust	73 049	
Accounts payable	64 987	33 117
Fixed assets (Note 7)	147 901	72 662
Other assets		
Start-up costs at depreciated cost	35 209	52 814
	$21 078 469	$18 866 220
LIABILITIES		
Deposit in trust	$73 049	
Accounts payable and accrued expenses	383 080	$124 816
Amounts payable under assistance programs (Note 9)	3 261 857	
Deferred subsidy (Note 10)	24 531	
	3 742 517	124 816
SHAREHOLDER EQUITY		
Capital stock (Note 11)	19 500 000	19 500 000
Contributed surplus	922 689	922 689
Deficit	(3 086 737)	(1 681 285)
	17 335 952	18 741 404
	$21 078 469	$18 866 220

COMMITMENTS AND GUARANTEES (Note 14)

On behalf of the Board of Directors,

Charles Denis
Pierre Goyette

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société générale des industries culturelles (SOGIC) is a joint-stock company incorporated under a special Act. Its purpose is to promote the creation and development of cultural enterprises in Québec, help improve the quality, indigenous nature and competitiveness of their products as well as to ensure their distribution and favour the creation and development of enterprises active in the areas of cinema, communications and heritage buildings. Since March 30, 1988, the Société has exercised its duties and powers in the field of cinema that were entrusted to it under the Cinema Act (R.S.Q., c. C-18.1 and amendments) and, under Government order-in-council, duties and powers of the Minister of External Trade and Technological Development in matters of promoting the export of cultural goods and services.

2. Consolidation March 30, 1988 of the Société générale du cinéma du Québec and change of name

The Act to amend the Cinema Act and the Act respecting the Société de développement des industries de la culture et des communications (1987, c. 71), which was passed on December 17, 1987 and came into force on March 30, 1988, consolidated the Société générale du cinéma du Québec with the Société de développement des industries de la culture et des communications -- SODICC. By virtue of this consolidation, the Société générale des industries culturelles acquires the rights of the Société générale du cinéma du Québec and assumes its obligations. The above Act further stipulates that the Société générale du cinéma will henceforth be known as the Société générale des industries culturelles (SOGIC).

Summary balance sheet, taken from the audited financial statements of the Société générale du cinéma du Québec as at March 29, 1988, integrated into the financial statements of SOGIC:

Current assets		
Liquid assets	$3 420 421	
Other	137 591	
Fixed assets	58 902	
		$3 616 914
Current liabilities		
Amounts payable under assistance programs	$3 261 857	
Other	211 570	
Surplus	143 487	
		$3 616 914

Given the insignificant amounts involved, operations of March 30 and 31, 1988 arising from the consolidation of the Société générale du cinéma du Québec and the transfer of duties and powers of the Minister of External Trade and Technological Development in matters of promoting the export of cultural goods and services, will be included and shown with operations for the fiscal year ended March 31, 1989.

3. Accounting policies

The financial statement of the Société have been prepared by management using the accrual method in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Investments

Investments in the capital stock of companies

Financial assistance granted by the Société in the form of stock acquisiton is shown on the balance sheet under "Investments in capital stock of companies". Insofar as the Société considers it is unable to recover such assistance, the expected loss is entered under the provision for losses and charged to expenditure, as is assistance granted in the form of loans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Accounting policies (cont'd)

Investment in a limited partnership -- at equity value

The Société records its investment in a limited partnership at equity value. According to this method, such investment is entered at cost and is increased or decreased by the Société's share in the net income of the limited partnership since its acquisition.

Provision for losses on loans and investments in the capital stock of companies

The provision for losses on loans is determined by assessing the expected loss for each loan showing major difficulties in collection, and by applying an estimated rate for all other loans based on the length of late payment so as to cover any eventual losses.

The provision for loss on investments in the capital stock of companies is established by assessing each investment on an individual basis.

Fixed assets

Fixed assets are shown at the cost of acquisition and are depreciated based on their expected service life using the following methods and rates:

	Method	Rate
Office furniture	Straight-line	10%
Equipment	Straight-line	20%
Computer equipment	Diminishing balance	33 1/3%
Rolling stock	Diminishing balance	30%
Leasehold improvements	Straight-line	Length of lease

Other assets

Start-up costs are recorded at cost and are amortized using the straight-line method over a period of 10 years.

Pension plan

The employer contribution to the Government and Public Employees Retirement Plan (RREGOP) is assumed by the gouvernement du Québec and is not shown on the statement of revenue and expenditure.

Accounting policies effective March 30, 1988

Assistance programs -- expenditure

Financial assistance in the form of subsidies, loans and investments is recorded under expenditure at the date of its formal approval by the applicant, with the exception of bonuses for quality or performance and automatic assistance to production companies, which are recorded at the date on which they are awarded.

Where the terms and conditions of assistance are not met, any adjustment to attendant expenditure is recorded as project cancellation for the year during which facts are established and made known.

Assistance programs -- revenue

Returns on loans, investments and certifications under assistance programs are entered as revenue when cashed.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. Loans

	1988			1987
	Loans	Interest accrued and owed	Total	Total
Balance at March 31	$16 422 632	$376 131	$16 798 763	$14 637 709
Provision for losses (Note 8)	2 237 715	42 139	2 279 854	2 191 472
	$14 184 917	$333 992	$14 518 909	$12 446 237

5. Investments in the capital stock of companies

	1988	1987
Common shares, at cost	$2 909 856	$2 909 856
Preferred shares, at cost	651 589	651 589
	3 561 445	3 561 445
Provision for losses (Note 8)	2 500 000	584 000
	$1 061 445	$2 977 445

6. Investment in a limited partnership -- at equity value

The Société holds 50.9% of equity in the limited partnership "Les Habitations Thibaudeau-Amyot" as well as 51% of common stock in "La Compagnie du Porche Inc.", which acts as general partner and holds 0.2% of the limited partnership's equity.

	1988	1987
Les Habitations Thibaudeau-Amyot, 25 450 units -- at cost	$25 450	$25 450
Transfer of real estate at stated value	160 335	130 915
Loan		610 000
	185 785	766 365
Share of net profit since the date of acquisition	422 590	299 713
	608 375	1 066 078
Withdrawals	585 350	203 600
	23 025	862 478
La compagnie du Porche Inc. 51 common shares -- at cost	51	51
	$23 076	$862 529

SOCIÉTÉ GÉNÉRALE DES INDUSTRIES CULTURELLES

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

7. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Office furniture	$81 368	$48 727	$32 641	$32 734
Equipment	63 483	27 882	35 601	29 744
Computer equipment	13 979	4 659	9 320	
Rolling stock	17 998	450	17 548	
Leasehold improvement	92 054	49 447	42 607	
Works of art	10 184		10 184	10 184
	$279 066	$131 165	$147 901	$72 662

8. Provision for losses on loans and investments in the capital stock of companies

	1988	1987
Opening balance	$2 775 472	$2 411 555
Write-offs for the year	1 108 307	687 232
	1 667 165	1 724 323
Provision for the year	3 112 689	1 051 149
Closing balance	$4 779 854	$2 775 472
The provision for losses breaks down as follows:		
Loans	$2 279 854	$2 191 472
Investments in the capital stock of companies	2 500 000	584 000
	$4 779 854	$2 775 472

9. Amounts payable under assistance programs

A total of $430 185 included in the $3 261 857 payable under assistance programs was allocated to new projects as a bonus for quality or performance and automatic assistance to rental firms.

It is possible that the Société does not approve new projects submitted within the three-year deadline. In this case, this amount may be adjusted in the following fiscal years.

10. Deferred subsidy

During the year, the Société received a subsidy of $30 000 from the ministère des Affaires culturelles to pay expenses related to a study on the cultural involvement of small and medium-sized businesses. At March 31, 1988, only $5 469 of the above subsidy had been used, leaving a deferred balance of $24 531.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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11. Capital stock

	1988	1987
Authorized:		
200 000 shares with a par value of $100 each		
Issued and paid up:		
195 000 shares	$19 500 000	$19 500 000

Société stock is public domain and is assigned to the Minister of Finance. Under the Société's Act of incorporation, the Minister of Finance is authorized to pay the balance of unissued stock to the Société out of the Consolidated Revenue Fund, in accordance with conditions set by the Government.

12. Administrative expenses

	1988	1987
Salaries, wages and fringe benefits	$1 021 395	$888 344
Directors' fees		7 750
Professional fees	26 863	3 628
Travel, representation and conventions	44 693	40 923
Rent	95 850	92 596
Taxes and insurance	21 330	38 093
Maintenance and repairs	24 075	10 036
Stationery and office expenses	40 503	48 933
Advertising and promotion	41 688	35 005
Communications	25 366	23 315
Depreciation on fixed assets	17 081	23 135
Amortization of start-up costs	17 605	17 605
Other	3 293	3 821
	$1 379 742	$1 233 184

13. Funds generated by operations

	1988	1987
Net revenue (net loss)	$(1 548 939)	$578 446
Items not affecting liquid assets		
Provision for losses on loans and investments in capital stock of companies	3 112 689	1 051 149
Depreciation on fixed assets	17 081	23 135
Amortization of start-up costs	17 605	17 605
Share in the income of a limited partnership	(152 297)	(115 628)
	$1 446 139	$1 554 707

SOCIÉTÉ GÉNÉRALE DES INDUSTRIES CULTURELLES

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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14. Commitments and guarantees

Commitments

- The balance on commitments for loans and investments not yet disbursed at March 31, 1988 totals $7.9 million ($5.9 million in 1987).
- The Société is committed under leases maturing to 1994 to paying a total of $2 245 875 for administration offices. Amounts payable break down as follows:

1989	$287 707
1990	344 217
1991	348 986
1992	340 909
1993	306 436

Guarantees

At March 31, 1988, the Société's obligations regarding bank guarantees extended to borrowers totalled $1 543 600 ($90 000 in 1987). In addition, the Société issued irrevocable letters of credit totalling $1 612 860 at March 31, 1988 ($1 500 000 in 1987).

15. Comparative figures

Certain comparative figures for 1987 have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Société générale des industries culturelles as at March 31, 1988 and the statements of revenue and expenditure, deficit and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 27, 1988

SOCIÉTÉ GÉNÉRALE DU CINÉMA DU QUÉBEC
R.S.Q., c. C-18.1

REVENUE AND EXPENDITURE
for the fiscal year ended March 29, 1988

	March 29, 1988	March 31, 1987
REVENUE		
Subsidies - gouvernement du Québec (Note 6)	$9 844 779	$9 593 300
Net interest earnings	351 905	282 282
Return on investments under assistance programs:		
Investments	895 170	1 089 074
Subsidies	56 000	
Certifications and miscellaneous	85 485	22 527
	11 233 339	10 987 183
EXPENDITURE		
Allocation of surplus expenditure over revenue of the preceding fiscal year	100 865	674 218
Assistance programs: (Note 7)		
Production	5 899 919	5 216 586
Distribution	1 700 127	1 687 895
Development	1 151 083	1 211 439
Promotion and special projects	1 033 314	869 274
Bonuses for quality or performance and automatic assistance to production companies (Note 5)	480 185	100 000
	10 264 628	9 085 194
Canceliation of proposed aid programs of previous fiscal years	805 227	51 668
	9 459 401	9 033 526
Administrative expenses (Note 8)	1 529 586	1 380 304
	11 039 852	11 088 048
SURPLUS REVENUE OVER EXPENDITURE FOR THE YEAR ALLOCATED TO NEXT FISCAL YEAR	$143 487	$(100 865)

SOCIÉTÉ GÉNÉRALE DU CINÉMA DU QUÉBEC

ASSETS AND LIABILITIES
as at March 29, 1988

	March 29, 1988	March 31, 1987
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits	$3 420 421	$3 828 689
Cash - deposit in trust	73 049	73 064
Accrued interest	18 246	14 036
Subsidies receivable	44 779	
Accounts receivable	1 517	2 240
	3 558 012	3 918 029
FIXED ASSETS (notes 3 and 4)	58 902	
	$3 616 914	$3 918 029
LIABILITIES		
CURRENT LIABILITIES		
Deposit in trust	$73 049	$73 064
Accounts payable and accrued expenses	138 521	137 480
Assistance programs (Note 5)	3 261 857	3 708 350
Deferred subsidy		100 000
	3 473 427	4 018 894
SURPLUS REVENUE OVER EXPENDITURE FOR THE YEAR ALLOCATED TO NEXT FISCAL YEAR	143 487	(100 865)
	$3 616 914	$3 918 029

On behalf of the Société,

Jean-Guy Lavigne
Huguette Gauthier

SOCIÉTÉ GÉNÉRALE DU CINÉMA DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
at March 29, 1988

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1. Constitution and purpose

The Société générale du cinéma du Québec, a corporation within the meaning of the Civil Code, was incorporated under the Act respecting the cinema (R.S.Q., chapter C-18.1 and amendments).

The Société's purpose is to:

- recognize Québec films according to established standards;
- promote or financially aid the creation of cinematographic works and the production of recognized Québec films;
- promote or financially aid the distribution and exhibition of Québec films and the development of technical support for the film industry;
- promote or financially aid the Québec film industry by encouraging the screening of its films at festivals and other cinematographic events and promote cinematographic culture in Québec;
- encourage the participation of television companies in the production and exhibition of Québec films; and
- encourage or financially aid training, research, development and innovation in the area of film.

Winding up of Société activities

The Act to amend the Cinema Act and the Act respecting the Société de développement des industries de la culture et des communications (1987, c. 71), which was passed on December 17, 1987 and came into force on March 30, 1988, stipulates that the Société générale des industries culturelles du Québec has acquired the rights of the Société générale du cinéma du Québec and assumes its obligations. The above Act further cancels the incorporation of the Société générale du cinéma du Québec.

Consequently, the latter Société was wound up March 30, 1988.

2. Accounting policies

The Société's financial statements have been prepared by management using the accrual method in accordance with the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Fixed assets

Effective April 1, 1987, fixed assets are shown at the cost of acquisition and are depreciated based on their expected service life using the following methods and rates:

	Method	Rate
Furniture and equipment	Diminishing balance	20%
Computer equipment	Diminishing balance	33 1/3%
Leasehold improvements	Straight-line	Term of the lease

Assistance programs

Financial assistance in the form of subsidies, loans and investments is recorded under expenditure at the date of its formal approval by the applicant, with the exception of bonuses for quality or performance and automatic assistance to production companies, which are recorded at the date on which they are awarded. Where the terms and conditions of assistance are not met, any adjustment to attendant expenditure is recorded as project cancellation for the year during which facts are established and made known.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 29, 1988

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2. Accounting policies (cont'd)

Revenue

Returns on loans, investments and certifications are entered under revenue when cashed. Subsidies and interest are recorded using the accrual method.

3. Change in accounting policy

Effective this year, fixed assets are recorded and depreciated; previously, furniture and equipment purchases as well as leasehold improvements were charged to operations. As a result of this change, the statement of assets and liabilities as at March 29, 1988 shows fixed assets totalling $58 902 and an increase of the same amount in the surplus revenue over expenditure for fiscal 1988.

4. Fixed assets

		March 29, 1988	
	Cost	Accumulated depreciation	Net
Furniture and equipment	$8 719	$1 744	$6 975
Computer equipment	13 979	4 659	9 320
Leasehold improvements	52 661	10 054	42 607
	$75 359	$16 457	$58 902

5. Assistance programs -- liabilities

	March 29, 1988	March 31, 1987
Subsidies, loans and investments		
Bonuses for quality or performance and automatic assistance to production companies:		
Amount payable for approved projects	$50 000	
Amount allocated to new projects*	430 185	$200 000 $
	480 185	200 000
Other payables	2 781 672	3 508 350
	$3 261 857	$3 708 350

* It is possible that the Société does not approve projects submitted within the three-year deadline, in which case this amount may be adjusted in future years. Expenditure related to these bonuses includes an amount of $430 185 (1987: $100 000) for which no project had been approved at year-end.

6. Subsidies - gouvernement du Québec

These subsidies are granted for the following purposes:

	1988	1987
Assistance programs	$8 270 450	$8 320 000
Administrative expenses	1 474 329	1 373 300
	9 744 779	9 693 300
Deferred subsidy - assistance programs	100 000	(100 000)
	$9 844 779	$9 593 300

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 29, 1988

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7. Assistance programs

During the fiscal year, the Société provided financial aid consisting of:

	1988	1987
Subsidies	$2 415 931	$2 384 063
Investments	7 848 697	6 701 131
	$10 264 628	$9 085 194

8. Administrative expenses

	1988	1987
Wages, salaries and fringe benefits	$1 033 870	$806 955
Professional fees	102 704	122 116
Travel and representation expenses	32 635	25 672
Rent and insurance	95 078	95 371
Maintenance and repairs	14 487	13 415
Advertising and information	60 572	82 287
Materials and supplies	52 752	37 255
Communications	36 445	36 616
Equipment rental	15 374	13 769
Furniture, fixtures and leasehold improvements		82 388
Interest and bank charges	34	169
Directors' fees		780
Depreciation on fixed assets	16 457	
Miscellaneous	2 023	268
	1 462 431	1 317 061
Expenses related to assistance programs:		
Fees to readers	23 700	16 500
Participation at film festivals	43 455	46 743
	67 155	63 243
	$1 529 586	$1 380 304

9. Comparative figures

Certain figures from the statement of revenue and expenditure for 1986 and 1987 have been reclassified for consistency with the presentation adopted in 1988.

SOCIÉTÉ GÉNÉRALE DU CINÉMA DU QUÉBEC

AUDITOR'S REPORT

I have examined the statement of assets and liabilities of the Société générale du cinéma du Québec as at March 29, 1988 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 29, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 and, except for the change in the method of recording fixed assets mentioned in Note 3, these accounting policies have been applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 13, 1988

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC
R.S.Q., C. S-17.1

OPERATING RESULTS AND RETAINED EARNINGS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
PROCEEDS		
Rent (Note 11)	341 951	316 793
Construction services	2 082	3 894
Share of net profit (net loss) of Place Desjardins Inc.	1 588	(587)
Other	1 900	3 158
	347 521	323 258
CHARGES		
Building operating expenses		
Rented	134 293	129 440
Owned	74 716	78 575
Cost of construction services	2 112	3 806
Financial expenses - net (Note 12)	34 727	15 800
Property taxes	47 888	47 431
General and administrative expenses	29 019	27 664
Depreciation	16 081	12 422
	338 836	315 138
NET PROFIT	8 685	8 120
OPENING RETAINED EARNINGS (DEFICIT)	1 240	(6 880)
CLOSING RETAINED EARNINGS	9 925	1 240

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

CASH FLOW
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING ACTIVITIES		
Net profit	8 685	8 120
Items not involving a cash outlay:		
Depreciation on fixed assets	15 003	11 445
Amortization of deferred expenses	1 224	1 077
Share of (net profit) net loss of Place Desjardins Inc.	(1 588)	587
(Gain) loss on disposal of fixed assets	(328)	4
Liquid assets generated by operating activities	22 996	21 233
Net change in balances of other asset and liability items*	(8 947)	20 474
Liquid assets generated by operating activities	14 049	41 707
FINANCING ACTIVITIES		
Long-term borrowings	196 279	174 385
Cash inflow from investment in a direct financing lease	70	86
Repayment of bank loans	(59 791)	35 674
Instalments on long-term debt	(3 076)	(1 411)
Repayment to the gouvernement du Québec	(75 000)	(155 000)
Liquid assets generated by financing activities	58 482	53 734
INVESTMENT ACTIVITIES		
Acquisitions of buildings	(87 120)	(90 210)
Acquisitions of material and machinery	(696)	(1 041)
Proceeds from disposal of fixed assets	953	1 093
Liquid assets absorbed by investment activities	(86 863)	(90 158)
(DECREASE) INCREASE IN LIQUID ASSETS DURING THE YEAR	(14 332)	5 283
OPENING LIQUID ASSETS	(2 263)	(7 546)
CLOSING LIQUID ASSETS	(16 595)	(2 263)

* Includes changes in accounts receivable, other assets, accounts payable and accrued expenses. Liquid assets include cash less outstanding cheques.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
Buildings (Note 3)	846 657	773 283
Investment (Note 4)	9 120	7 532
Material and machinery	3 472	4 658
Investment in a direct financing lease contract (Note 5)	2 153	2 223
Accounts receivable	21 183	12 762
Others assets (Note 6)	6 848	8 123
Cash	1 519	110
	890 952	808 691
LIABILITIES		
Owed to the gouvernement du Québec (Note 7)	137 985	212 985
Long-term debt (Note 8)	477 501	284 298
Bank loans	93 643	153 434
Accounts payable and accrued expenses	66 117	66 694
Outstanding cheques	18 114	2 373
	793 360	719 784
SHAREHOLDER EQUITY		
Capital stock (Note 9)	80 001	80 001
Contribution from the gouvernement du Québec (Note 10)	7 666	7 666
Retained earnings	9 925	1 240
	97 592	88 907
	890 952	808 691

COMMITMENTS (Note 14)
CONTINGENT LIABILITIES (Note 15)
SUBSEQUENT EVENT (Note 16)

On behalf of the Board of Directors,

Miville Vachon, Chairman and Chief Executive Officer
Charles E. Plamondon, Director

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

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1. Constitution and purpose

The Société is a limited liability company incorporated under the Act respecting the Société immobilière du Québec. Its purpose is to make buildings available to government departments and public organizations for a consideration, and to provide them with construction, operation and building management services.

2. Accounting policies

The Société's financial statements were prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

The Société's accounting policies and its standards for presentation of financial information comply with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

Buildings

- In service and used by the Société

  Buildings in service and used by the Société acquired by transfer from the public domain are recorded at the value determined by the gouvernement du Québec

  Other buildings are recorded at cost.

- Under construction

  The cost of buildings under construction includes, in addition to direct costs, operating costs, property taxes, interest and the relevant fraction of general and administrative expenses associated therewith, after deducting rental proceeds. Buildings undergoing improvements are not deemed to be in service until the project is completed in full and a satisfactory occupancy rate has been achieved, within a reasonable time.

- To be sold

  Buildings to be sold are valued at the lesser of depreciated cost and fair market value. No depreciation is charged on these buildings once the Société decides to dispose of them.

- Undeveloped land and land undergoing development

  Land that is undeveloped or on which development is in progress is valued at the lesser of cost and fair market value. Cost includes acquisition cost, operating costs, property taxes, interest and the relevant fraction of general and administrative expenses associated therewith, after deducting rental proceeds.

Material and machinery

Material and machinery acquired by transfer from the public domain are recorded at the value determined by the gouvernement du Québec.

Subsequent acquisitions are recorded at cost.

Depreciation on fixed assets

Depreciation on buildings in service and used by the Société is calculated using the sinking fund method, at a rate of 5% annually, so that the cost of these buildings is depreciated over an anticipated service life of between 30 and 50 years.

Material and machinery are depreciated using the straight-line method over an estimated service life of five years.

Major improvements undertaken on behalf of clients are depreciated over a period of between 5 and 15 years. These improvements are depreciated using the sinking fund method, at a rate corresponding to that invoiced to the client.

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2. Accounting policies (cont'd)

Capitalized interest

The portion of the interest expense attributable to buildings under construction and to undeveloped land or land undergoing development is capitalized to these items, taking into consideration the weighted average rate on interest-bearing debts.

Investment

The Société records its participation in Place Desjardins Inc. at equity value. Under this method, the investment is recorded at cost and either increased or decreased by the Société's share in the company's net earnings or loss from the date of acquisition. The investment is reduced by the amortization of the excess of the price paid over the book value of shares acquired and dividends paid by the company.

The excess of the price paid over the book value of the shares acquired is amortized using the same method as for buildings in service.

Deferred expenses

Costs related to improvements completed before the Société began operations and the development costs of computer processing systems are amortized using the straight-line method over a period of five years.

Expenses related to the issue cost of the long-term debt are depreciated using the straight-line method over the lifetime of the debt.

Deferred expenses are posted to "Other assets".

Work in progress

Construction and minor improvements as yet uncompleted that are to be invoiced upon submission of a progress report or when the work is complete, are shown as work in progress under the "Other assets" item. The work is recorded at cost, after deducting amounts that have been billed.

Rental contracts

- Capital lease

  When, under the terms of a lease, practically all the benefits and risks inherent in the ownership of the leased asset accrue to the Société, the cost of the leased asset and the present value of the obligation arising from the lease are recorded as if an acquisition of an asset and a loan were involved. Assets covered by a capital lease are depreciated using the same method as other fixed assets.

- Operating lease

  Rent arising from operating lease contracts is carried to operations.

- Direct financing lease

  When, under the terms of a lease, practically all the benefits and risks inherent in ownership are transferred to the Société's clients, the present value of the minimum payments receivable is treated as if the asset were being sold and the proceeds invested.

  Financing revenue arising from these contracts is carried to operations according to a formula that yields a level rate of return throughout the term of the lease.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

3. Buildings

	Land	Buildings	Buildings leased under capital lease contracts	Major improvements	Total	
					1988	1987
In service	92 344	599 264	27 063	54 757	773 428	652 219
Used by the Société	3 908	6 686	224		10 818	10 970
	96 252	605 950	27 287	54 757	784 246	663 189
Under construction	1 172	47 937		4 016	53 125	128 718
For sale	2 409	40 018			42 427	1 392
Undeveloped land and land undergoing development	343				343	321
	100 176	693 905	27 287	58 773	880 141	793 620
Accumulated depreciation		23 982	724	8 778	33 484	20 337
	100 176	669 923	26 563	49 995*	846 657	773 283

During the year, the following expenses were capitalized:

	1988	1987
Financing expenses	5 907	8 976
Operating expenses, property taxes less rental proceeds	734	1 125
General and administrative expenses	2 437	2 708
	9 078	12 809

* Including $20 409 000 for major improvements to buildings rented by the Société.

4. Investment

	1988	1987
49% of Place Desjardins Inc. common shares, at equity value (book value, 1988: $2 166 000; 1987: $546 000) resulting from the audited financial statements as at December 31, 1987 and unaudited as at March 31, 1988	9 120	7 532

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

5. Investment in a direct financing lease contract

Total minimum payments receivable under a building lease

Fiscal year	
1989	345
1990	345
1991	345
1992	345
1993	345
Subsequently	2 506
Total minimum payments receivable	4 231
Less: Unearned financing revenue	2 078
Investment in a direct financing lease contract	2 153

6. Other assets

	1988	1987
Deferred expenses - at amortized cost		
Improvements completed before the Société began operations	1 466	2 443
Issue cost of long-term debt	1 246	888
Development of computer processing systems	522	624
	3 234	3 955
Prepaid expenses	2 024	2 144
Work in progress	1 590	629
Materials*		1 395
	6 848	8 123

* Effective this year, accounts payable are charged to results upon acquisition. Inventories at March 31, 1988 are no longer shown as other assets.

7. Owed the gouvernement du Québec

	1988	1987
Demand note, interest-free*	137 985	212 985

* The Société repaid $75 million to the gouvernement du Québec on March 31, 1988 and $155 million on March 31, 1987.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

8. Long-term debt

	1988	1987
Bonds, (a)		
Series "A", bearing interest at an effective rate of 10.30%, maturing in 1995	40 800	40 800
Series "B", bearing interest at an effective rate of 8.68% until 1990 and 9.36% subsequently, maturing in 2006 with option of anticipated maturity date of 1990	50 000	50 000
Series "C", bearing interest at an effective rate of 9.36%, maturing in 1991, exchangable for Series "2C" bonds bearing interest at an effective rate of 9.73% maturing in 2006 (b)	72 000	72 000
Series "D", bearing interest at an effective rate of 10.91%, maturing in 2000, with option of anticipated maturity (c)	50 000	
Series "E", bearing interest at an effective rate of 10.36%, maturing in 2013, with option of anticipated maturity (d)	75 000	
Notes whose payment of principal and interest, in YEN, is covered by a currency swap at a fixed, predetermined rate (a)		
Interest at an effective rate of 12.31%, repayable by yearly instalments of $8 160 000 beginning in 1991	40 800	40 800
Interest at an effective rate of 9.72%, maturing in 1997	50 000	50 000
Interest at an effective rate of 10,04%, maturing in 1994	40 000	
Interest at an effective rate of 11,56%, maturing in 1992	30 000	
Obligations arising from capital lease contracts (e)	24 961	25 348
Borrowings at variable rates and maturities (f)	3 940	5 350
	477 501	284 298

(a) Payment of principal and interest is guaranteed by the gouvernement du Québec.
(b) At March 31, 1987, no holder of Series "C" bonds exercised his right of exchange.
(c) Bondholders can utilize this option from January 1 to 31 each year from 1991 to 1997, and demand that the Société redeem their bonds at par value on February 17 of the second year following the year in which the option was utilized. Similarly, despite the semi-annual interest coupon rate of 10.65%, bonds bearing interest can be redeemed at 8.65% a year, beginning February 17 following the date on which the option was exercised.
(d) Bondholders can utilize this option on March 28 of each year from 1989 to 2012 inclusive, and demand that the Société redeem bonds at par value. The maximum annual amount of bonds that the Société can redeem during the next 12 fiscal years is $4.5 million.

8. Long-term debt (cont'd)

(e) Minimum payments required under capital lease contracts are as follows:

Fiscal year	
1989	4 653
1990	4 653
1991	4 653
1992	4 653
1993	4 653
Subsequently	59 807
Total minimum payments required	83 072
Less: Imputed interest at 13.56%	41 858
Incidental expenses	16 253
	58 111
Obligations arising from capital lease contracts	24 961

(f) Instalments for payment of principle required over the next five fiscal years are as follows:

1989	1 152
1990	1 096
1991	718
1992	253
1993	157

9. Capital stock

Société immobilière du Québec shares are held by the Minister of Finance.

	1988	1987
Authorized: 100 000 shares with a par value of $1 000 each		
Issued and fully paid: 80 001 shares	80 001	80 001

10. Gouvernement du Quebec contribution

The contribution from the gouvernement du Québec was acquired by the substitution of the Société immobilière du Québec for the Société de développement immobilier du Québec on October 1, 1984.

11. Rental proceeds

Rental proceeds for the fiscal year ended March 31, 1988 were invoiced to government departments and public organizations on the basis of anticipated costs approved by the gouvernement du Québec. These costs are distributed among government departments and public organizations according to terms arising from the fee schedule for services provided by the Société. Occupancy agreements were then signed by the Société and the government departments and public organizations.

In March 1988, the Société decreased rent for government departments and public organizations by a total of $11 115 000, paid through a return proportionate to the volume of business conducted by each department or organization.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 1988
(in thousands of dollars)

12. Financing expenses - net

	1988	1987
Interest charges:		
Long-term debt		
Notes and bonds	29 853	16 209
Obligations arising from capital lease contracts	3 219	3 265
Borrowings at variable rates and maturities	473	645
Depreciation on issue cost of the long-term debt	146	100
Bank loans	12 240	7 401
	45 931	27 620
Interest earnings:		
Major improvements billed to clients	4 777	1 881
Short-term and other deposits	245	680
Investment in a financing lease contract	275	283
	5 297	2 844
	40 634	24 776
Less: Interest capitalized to buildings	5 907	8 976
	34 727	15 800

13. Pension plans

The Société's employees are members of the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan, which are administered by an agency of the gouvernement du Québec. The cost of these plans is shared equally between employees and employers. They are defined benefit plans offering pension and death benefits. Société contributions charged to results for the year total $1 786 000 (1987: $1 622 000). The Société's obligations toward these Government plans is limited to its contributions for current services as an employer.

14. Commitments

Operating lease contracts

Minimum required payments under operating lease contracts are as follows:

Fiscal year	
1989	105 117
1990	85 055
1991	71 266
1992	58 990
1993	51 452
Subsequently	457 042
Total minimum payments	828 922

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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14. Commitments (cont'd)

Construction and major improvement contracts

At March 31, 1988, the total estimated cost of work and outside fees associated with construction and major improvement projects amounted to $131 million, including $23 million covered by contracts to be carried out in future years.

Sick leave

The Société's conditional liability for accumulated sick leave for its employees amounted to some $5.8 million at March 31, 1988, most of which is due to the transfer of assets and liabilities from the ministère des Travaux publics et de l'Approvisionnement at October 1, 1984. This sick leave will be charged to operations either as it is used up by employees or as it is paid.

15. Contingent liabilities

Claims and legal proceedings against the Société are pending as of the date of preparation of the financial statements. Based on the information available, management is of the opinion that it is unlikely that any significant liability will arise from these claims and proceedings compared to the Société's financial position.

16. Subsequent event

On April 13, 1988, the Société disposed of one of its buildings for sale. The sale was made at the book value of $40 103 685, paid in cash by the Musée de la civilisation.

AUDITOR'S REPORT

I have examined the balance sheet of the Société immobilière du Québec as at March 31, 1988 as well as the statements of operating results and retained earnings and cash flow for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and the change in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.,
Auditor General of Québec

Québec, May 27, 1988

SOCIÉTÉ INTER-PORT DE QUÉBEC
R.S.Q., c. S-18

OPERATING RESULTS
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE		
Interest	$59 398	$98 192
Repayment of expenses following the sale of investments in Gestion Électromec Inc.	20 000	
	79 398	98 192
EXPENDITURE		
General and administrative expenses	664 521	706 955
Research	41 477	36 812
Advertising and printing	125 917	86 881
	831 915	830 648
	752 517	732 456
Surplus expenditure over revenue - Pointe-de-la-Martinière project	18 871	19 955
SURPLUS EXPENDITURE OVER REVENUE FOR THE YEAR	$771 388	$752 411

DEFICIT
for the fiscal year ended March 31, 1988

	1988	1987
OPENING BALANCE	$871 232	$118 821
Surplus expenditure over revenue for the fiscal year	771 388	752 411
CLOSING BALANCE	$1 642 620	$871 232

SOCIÉTÉ INTER-PORT DE QUÉBEC

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Surplus expenditure over revenue for the year	$(771 388)	$(752 411)
Depreciation on fixed assets not affecting liquid assets	8 150	8 498
	(763 238)	(743 913)
Net decrease (increase) in the balance of working capital other than cash related to operations		
Interest receivable	2 614	10 274
Advances for travel expenses	(500)	150
Accounts payable and accrued debts	35 081	(179 457)
	37 195	(169 033)
Liquid assets used for operating activities	(726 043)	(912 946)
INVESTMENT ACTIVITIES		
Funds used for investment activities	400 000	
New fixed assets	(5 059)	(29 157)
Liquid assets generated by (used for) investment activities	394 941	(29 157)
DECREASE IN NET LIQUID ASSETS	(331 102)	(942 103)
OPENING NET LIQUID ASSETS	692 071	1 634 174
CLOSING NET LIQUID ASSETS	$360 969	$692 071
Represented by:		
Cash	210 969 $	117 165 $
Term deposits	150 000	574 906
CLOSING LIQUID ASSETS	360 969 $	692 071 $

SOCIÉTÉ INTER-PORT DE QUÉBEC

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$210 969	$117 165
Term deposits	150 000	574 906
Interest receivable	1 942	4 556
Advances for travel expenses	1 200	700
	364 111	697 327
INVESTMENTS HELD IN GESTION ÉLECTROMEC INC., (sold during the year)		400 000
FIXED ASSETS (Note 3)	2 792 561	2 795 652
	$3 156 672	$3 892 979
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued debts	$60 292	$25 211
SHAREHOLDER EQUITY		
CAPITAL STOCK		
Authorized, issued and fully paid:		
1 000 common shares with a par value of $1 each	1 000	1 000
CONTRIBUTED SURPLUS	4 738 000	4 738 000
DEFICIT	(1 642 620)	(871 232)
	3 096 380	3 867 768
	$3 156 672	$3 892 979

Signed and approved on behalf of the Board of Directors,

J.F. Bourassa, Director
Marc Lefrançois, Director

EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
General and administrative expenses		
Salaries, wages and fringe benefits	$383 363	$378 698
Nomination of directors	14 550	22 350
Rent	63 110	61 870
Insurance	1 327	992
Corporate taxes	3 431	3 473
Telecommunications and mailing charges	26 588	29 182
Data bank	5 567	2 387
Data processing	1 868	1 462
Office expenses	14 923	14 349
Equipment rental	4 702	10 209
Travel and representation fees	130 274	122 662
Consultant fees		40 001
Legal and auditing fees	6 091	10 101
Bank charges	577	721
Depreciation		
Office furniture and equipment	7 403	8 443
Computer equipment	747	
Leasehold improvements		55
	$664 521	$706 955

OPERATING RESULTS -- POINTE-DE-LA-MARTINIÈRE PROJECT
for the fiscal year ended March 31, 1988

	1988	1987
Revenue		
Building rental	$4 250	$4 300
Expenditure		
Taxes	19 212	21 947
Maintenance	3 200	1 600
Insurance	709	708
	23 121	24 255
Surplus expenditure over revenue	$18 871	$19 955

NOTES TO FINANCIAL STATEMENTS
for the fiscal year ended March 31, 1988

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1. Scope of activity

Under its Act of incorporation, the purpose of the Société Inter-port de Québec is to:

a) design programs and plans for the establishment of an industrial complex in the Québec City area that would be able to take advantage of the city's port facilities and contribute to their development;

b) undertake the work necessary to implement plans and programs so designated and engage in industrial, commercial and other activities that will contribute to the development of an industrial complex.

The Société may call upon the services of any person or firm in achieving these objectives.

Furthermore, pursuant to an order-in-council, the Société Inter-port de Québec is responsible for:

a) preparing plans and projects with a view to stimulating industrial development in the special zone of Québec City, by undertaking industrial selection and feasibility studies and preparing industrial promotion documents;

b) placing the documentation it has prepared for industrial promotion at the disposal of interested regional parties, industrial commissions in particular;

c) acquiring and servicing industrial sites located on the banks of the St. Lawrence River and, where necessary, providing assistance to municipalities in the development of other industrial sites in the region;

d) promoting industrial projects by emphasizing those forming part of the complex that would benefit from port facilities and coordinating its efforts with regional industrial commissions;

e) carrying on industrial or commercial activities in association with any person or firm.

2. Accounting policies

Fixed assets

The cost of land in Pointe-de-la-Martinière includes the cost of acquisition plus attendant charges such as notaries' and surveyors' fees, landscaping, and others.

Depreciation on office furniture and equipment and computer equipment is calculated using the diminishing balance method.

Contributed surplus

All amounts received since February 1, 1982 from the federal and provincial governments under the Canada-Québec subsidiary agreement for the acquisition and development of industrial land at Pointe-de-la-Martinière and for the Société's financial participation in industrial projects are recorded as contributed surplus.

NOTES TO FINANCIAL STATEMENTS (cont'd)
for the fiscal year ended March 31, 1988

3. Fixed assets

		1988			1987
	Rate of depreciation	Cost	Accumulated depreciation	Net	Net
Land - Pointe-de-la Martinière		$2 758 678		$2 758 678	$2 758 678
Office furniture and supplies	20%	87 428	$57 779	29 649	36 974
Computer equipment	30%	4 981	747	4 234	
Leasehold improvements		15 752	15 752		
		$2 866 839	$74 278	$2 792 561	$2 795 652

Depreciation for the fiscal year totals $8 150 ($8 498 in 1987).

AUDITORS' REPORT

To the shareholders of the Société Inter-Port de Québec

We have examined the balance sheet of the Société Inter-Port de Québec as at March 31, 1988 as well as the statements of operating results, deficit and change in financial position for the year then ended. We obtained all the information and explanations sought. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

From the information and explanations provided to us and based on the information contained in the books of the Société, in our opinion these financial statements present fairly the true and exact state of the Société's affairs at March 31, 1988 as well as the results of its operations and change in financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laliberté Lanctôt
Chartered Accountants

Québec, May 5, 1988

SOCIÉTÉ NATIONALE DE L'AMIANTE

OPERATING RESULTS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
		(Adjusted Note 3)
REVENUE		
Interest on loans to subsidiaries and company subject to significant influence	69	167
Other interest	314	954
	383	1 121
REVENUE BEFORE SHARES		
Share in the loss of subsidiaries before extraordinary items (page 553)	(15 226)	(19 534)
Share in the net profit (loss) of the company subject to significant influence	(9)	50
	(15 235)	(19 484)
	(14 852)	(18 363)
EXPENDITURE		
General administrative expenses	1 150	1 375
Amortization of surplus acquisition cost over book value of investment acquired		358
	1 150	1 733
OPERATING LOSS BEFORE THE FOLLOWING ITEMS	16 002	20 096
FINANCIAL CHARGES	17 529	7 126
	33 531	27 222
GRANT	21 205	6 700
LOSS BEFORE EXTRAORDINARY ITEMS	12 326	20 522
EXTRAORDINARY ITEMS (Note 4)	8 472	19 226
NET LOSS	20 798	39 748

SOCIÉTÉ NATIONALE DE L'AMIANTE

DEFICIT
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987 (Adjusted Note 3)
OPENING BALANCE		
Carried forward	285 160	247 944
Adjustment made to previous fiscal years (Note 3)	(1 425)	(1 457)
Adjusted	283 735	246 487
NET LOSS	20 798	39 748
	304 533	286 235
TRANSFER OF CONTRIBUTED SURPLUS		(2 500)
CLOSING BALANCE	304 533	283 735

CONTRIBUTED SURPLUS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPENING BALANCE		2 500
Government subsidy	5 685	
Transfer to deficit		(2 500)
CLOSING BALANCE	5 685	

SOCIÉTÉ NATIONALE DE L'AMIANTE

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987 (Adjusted Note 3)
OPERATING ACTIVITIES		
Loss before extraordinary items	(12 326)	(20 522)
Items not affecting liquid assets:		
Share of loss of subsidiaries and company subject to significant influence	15 235	19 484
Depreciation	93	459
Miscellaneous		13
	3 002	(566)
Net change in working capital items not constituting liquid assets	3 544	148
Funds generated (absorbed) by operations	6 546	(418)
INVESTMENT ACTIVITIES		
Acquisition of investments	(112)	(166 740)
Investment in subsidiaries and company subject to significant influence	(14 597)	(42 500)
Repayment of advances to subsidiaries	1 450	(330)
Proceeds from investments	30	2 927
Dividends from subsidiaries	11	8 182
Funds allocated for investment	(13 218)	(198 461)
FINANCING ACTIVITIES		
Repayment on long-term debt	(271)	(403)
Long-term borrowing	1 375	169 955
Issue of capital stock		28 300
Government subsidy shown as contributed surplus	5 685	
Funds generated by financing	6 789	197 852
INCREASED (DECREASE) IN LIQUID ASSETS	117	(1 027)
OPENING CASH POSITION AND TERM DEPOSITS	5 359	6 386
CLOSING CASH POSITION AND TERM DEPOSITS	5 476	5 359

SOCIÉTÉ NATIONALE DE L'AMIANTE

BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987 (Adjusted Note 3)
ASSETS		
CURRENT ASSETS		
Cash and term deposits	5 476	5 359
Accounts receivable	596	3 139
Advances to subsidiaries		1 450
	6 072	9 948
INVESTMENTS (Note 5)	86 141	95 221
FIXED ASSETS (Note 6)	684	743
OTHER ASSETS (Note 7)	476	510
	93 373	106 422
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3 259	2 299
Portion of long-term debt maturing within one year	21 784	572
	25 043	2 871
LONG-TERM DEBT (Note 8)	208 809	228 917
	233 852	231 788
NEGATIVE SHAREHOLDER EQUITY		
Capital stock (Note 9)	158 369	158 369
Contributed surplus	5 685	
Deficit	(304 533)	(283 735)
	(140 479)	(125 366)
	93 373	106 422

CONTINGENT LIABILITIES (Note 10)

On behalf of the Board of Directors,

André Saumier, Director
Benoit Cartier, Director

SOCIÉTÉ NATIONALE DE L'AMIANTE

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Legal status and purpose

The Société nationale de l'amiante (SNA) is a Crown corporation whose shares are held in full by the gouvernement du Québec; it was incorporated by the Act respecting the Société nationale de l'amiante (R.S.Q., c. S-18.2). The Société holds investments in mining, manufacturing and research firms working in the asbestos sector.

2. Main accounting policies

Investments in subsidiaries

During the previous year, the Société transferred the administration and operation of its mining enterprises to a limited partnership which it does not control. It also pursued the disinvestment program begun last year in the manufacturing sector by selling several manufacturing subsidiaries. Negotiations are currently under way concerning the privatization of the group's other manufacturing investments.

Under the circumstances, it was not considered appropriate to consolidate the operations of the subsidiaries with those of the parent company since consolidation is not the best means for passing information on to the Société's shareholders. Interest held in subsidiaries is therefore shown at equity value.

Investments in subsidiaries are as follows:

	Interest held%	
	1988	1987
Mines-SNA Inc.	100.0	100.0
Société Asbestos Limitée, a subsidiary of Mines-SNA Inc.	54.6	54.6
Les Mines d'amiante Bell Ltée	100.0	100.0
Atlas Turner Inc. and its subsidiaries	100.0	100.0
93410 B.C. Ltd. (Turner Building Products Ltd.)	100.0	100.0
Lupel-SNA Inc.	100.0	100.0
151222 Canada Inc. (Distex-SNA Inc.) and its subsidiaries	100.0	100.0
Filaq-SNA Inc.		67.7
Descon-SNA Inc.	100.0	100.0
Magnaq Inc.	100.0	100.0
Fusoroc Inc.	100.0	100.0
133299 Canada Inc. and Roto-SNA Inc., company subject to significant influence	80.0	80.0
Céram-SNA Inc.	99.6	99.6
Industries 3-R Inc. (subject to significant influence)		30.0

Fixed assets

Fixed assets are depreciated using the straight-line method according to their service life, based on the following rates:

Industrial building	5%
Furniture and equipment	10%

Other assets

- Deferred expenses, industrial building

These expenses are depreciated using the straight-line method at a rate of 5%.

- Deferred bond expenses

These expenses are depreciated using the straight-line method until the bonds mature.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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2. Main accounting principles (cont'd)

Government subsidies

Financial assistance is awarded by the gouvernement du Québec to enable the SNA to meet its financial obligations and those of its subsidiaries.

The portion of assistance used for the repayment of principal on the debt of the Société and its subsidiaries is shown on the statement of contributed surplus, whereas the portion used to finance the operating loss is shown as a grant on the statement of operating results.

Income taxes

Since it is a corporation all of whose shares are held by the gouvernement du Québec, the Société nationale de l'amiante is exempted from income taxes; this also holds true for its wholly-owned subsidiaries.

3. Adjustment made to previous fiscal years

This adjustment equals the share of subsidiary adjustments and resulted in a $1 425 000 increase in investments on the balance sheet as at March 31, 1987 and an increase of $32 000 in the share in the loss of subsidiaries and the net loss for fiscal 1987.

4. Extraordinary items
(in thousands of dollars)

	1988	1987
Share in the extraordinary item of a subsidiary resulting from the write down of fixed assets and a number of other assets of mining companies	5 752	
Loss (profit) resulting from the termination of certain subsidiaries' activities	2 720	(1 640)
Loss corresponding to the surplus price paid for shares in Mines-SNA Inc. over their book value at the date of acquisition		20 090
Costs related to a halt in production lines and the devaluation of certain facilities of asbestos-cement production units		776
	8 472	19 226

5. Investments at equity value
(in thousands of dollars)

	1988	1987 (Adjusted Note 3)
Investment in subsidiaries (page 535)		
Mines-SNA Inc. and its subsidiary Société Asbestos Limitée	58 287	64 546
Les Mines d'amiante Bell, Limitée	26 529	27 743
Atlas Turner Inc. and its subsidiaries	796	3 787
93410 B.C. Ltd. (Turner Building Products Ltd.)	234	26
Lupel-SNA Inc.	88	85
151222 Canada Inc. (Distex-SNA Inc.) and its subsidiaries	25	25
Filaq-SNA Inc.		212
Descon-SNA Inc.	141	133
Magnaq Inc.	(4 497)	(5 543)
Fusoroc Inc.	(1 076)	(1 405)
133299 Canada Inc. and its satellite company Roto-SNA Inc.	904	818
Ceram-SNA Inc.	4 148	4 369
Amounts to be deferred	85 579	94 796

5. Investments at equity value (cont'd)

(in thousands of dollars)

	1988	1987 (Adjusted Note 3)
Amounts deferred	85 579	94 796
Other investments		
Loan to Industries 3-R Inc., company subject to significant influence	262	125
Loan to Roto-SNA Inc.	300	300
	86 141	95 221

These investments also include loans and advances from the Société nationale de l'amiante.

6. Fixed assets

(in thousands of dollars)

	Cost	Accumulated depreciation	Undepreciated cost 1988	Undepreciated cost 1987
Furniture and equipment	352	267	85	110
Industrial building and land	735	136	599	633
	1 087	403	684	743

7. Other assets

(in thousands of dollars)

	1988	1987
Deferred expenses, industrial building, at undepreciated cost	403	428
Deferred bond expenses, at undepreciated cost	73	82
	476	510

8. Long-term debt

(in thousands of dollars)

	1988	1987
Loan renewable at 90 days, at the rate of bank acceptances plus 3/8 of 1% and repayable in part prior to maturity, maturing November 3, 1992	169 930	169 955
Demand note, interest free, contracted with Mines-SNA Inc.	35 002	33 627
Bonds, interest at 5/8 of 1% less than the bank's prime rate, redeemable in advance, maturing June 20, 1996	23 500	23 500
Mortgage loan, prime rate, maturing February 2000, principal repayable in monthly instalments of $2 346, secured by the industrial land and building	335	363
Amounts to be deferred	228 767	227 445

	1988	1987
8. Long-term debt (cont'd) (in thousands of dollars)		
Amounts deferred	228 767	227 445
Promissory note		218
Gouvernement du Québec loan, ½ of 1% more than the prime rate, repayable conditional to the profits of certain subsidiaries maturing in 1988	1 826	1 826
	230 593	229 489
Portion of the long-term debt due within one year	21 784	572
	208 809	228 917

Repayment of the long-term debt for the next five years breaks down as follows: 1989, $21 784 000; 1990 to 1992, $25 028 000 a year; and 1993, $75 028 000.

9. Capital stock
(in thousands of dollars)

	1988	1987
Authorized 250 000 common shares with a par value of $1 000 each		
Issued and paid up 158 369 shares	158 369	158 369

Pursuant to its Act of incorporation, all Société shares belong to the public domain and are assigned to the Minister of Finance of the gouvernement du Québec.

10. Contingent liabilities

Class action

On November 13, 1986, legal proceedings were instituted by Québec and Ontario shareholders in the Société Asbestos Limitée for authorization to bring class action against the company with regard to the transaction by which it assumed control of Mines-SNA Inc., principal shareholder of the Société Asbestos Limitée.

The Respondents in the case are: Société Asbestos Limitée, Mines-SNA Inc., Société nationale de l'amiante, General Dynamics Limited and the Attorney General of Québec.

A decision dismissing the request was rendered on March 12, 1987. This decision is being appealed.

Cases before the Commission des valeurs mobilières

These are complaints filed with the Ontario Securities Board and the Commission des valeurs mobilières du Québec by a committee grouping a number of minority shareholders of the Société Asbestos Limitée ("SAL"); the complaints allege that the SNA should have offered all SAL shareholders to buy their stock in the company on terms similar to those offered to the General Dynamics Corporation ("GD") for the purchase of shares in the private enterprise Mines-SNA Inc., which controlled SAL. Both commissions have called hearings to hear each party's side of the issue.

10. Contingent liabilities (cont'd)

Lawsuits

Individuals working or having worked for companies using asbestos, alleging that long-term exposure to asbestos fibres has affected their health, have filed numerous lawsuits in the United States against the various suppliers of asbestos fibres and products. A number of SNA subsidiaries are among the many suppliers of asbestos fibres and manufacturers of asbestos products cited in these cases. They have also been named in various lawsuits regarding the withdrawal of asbestos-based products from the market. The companies deny any responsibility. Should a decision be handed down in the United States against these subsidiaries, it could not be enforced against them, in the opinion of legal experts consulted, before being tested and validated by a competent court in the Province of Québec. Furthermore, any liability to which the subsidiaries may be held as a result of these lawsuits is partially covered by insurance.

Survival of the Société

The collapse of the asbestos market, which has led to deficits in recent years, together with the possibility that the gouvernement du Québec might cease to provide financial support to the company, casts doubt on the ability of the firm to pursue its operations.

In addition, the gouvernement du Québec guarantees the payment of loans contracted by the Société for the acquisition of Mines-SNA Inc. ($169 930 000) and Mines d'amiante Bell Ltée ($23 500 000).

11. Commitments and guarantees

The Société became guarantor of $9 462 000 in debts contracted by certain of its subsidiaries. Repayment of these debts, consisting primarily of amounts due under capital lease contracts, extends to 1992.

It also guarantees payment of an operating lease contract maturing December 31, 1997 contracted by a subsidiary for a total of $14 779 000. The subsidiary's rental offices are sublet until maturity of the lease. Payments under the contract for the next 5 fiscal years break down as follows: 1989, $1 375 000; 1990, $1 418 000; 1991, $1 460 000; 1992, $1 502 000; and 1993, $1 544 000.

12. Comparative figures

Certain figures from the previous fiscal year have been regrouped and reclassified for the purpose of comparison with figures for the current fiscal year.

SOCIÉTÉ NATIONALE DE L'AMIANTE

ADDITIONAL INFORMATION
for the fiscal year ended March 31, 1988
(in thousands of dollars)

INFORMATION CONCERNING THE STATEMENT OF OPERATING RESULTS

	Sales	Cost of sales and general expenses	Interest charges	Depreciation	Other expenses (revenue)	Minority interest	Net profit (net loss)
Mines-SNA and its subsidiary, Société Asbestos Ltée		1 219	1 121	1 632	1 789		(5 761)
Les Mines d'amiante Bell, ltée		234	433	2 329	618		(3 614)
Atlas Turner Inc. and its subsidiaries	6 233	8 007	232	435			(2 441)
Lupel-SNA inc.		3			(6)		3
151222 Canada inc.					(52)		52
Filaq-SNA inc, (2 months)	105	100	4	10			(9)
Descon-SNA inc.		3			(11)		8
Magnaq inc.		318	603		(17)		(904)
Fusoroc inc.		31	303	137	(150)		(321)
133299 Canada Inc. and its satellite company Roto-SNA inc.			40	47	(195)	22	86
Ceram-SNA inc.			95	196	2 034		(2 325)
	6 338	9 915	2 831	4 786	4 010	22	(15 226)

ADDITIONAL INFORMATION (cont'd)
for the fiscal year ended March 31, 1988
(in thousands of dollars)

ADDITIONAL INFORMATION TO THE BALANCE SHEET

	ASSETS				
	Current	Investments and advances	Fixed assets	Other assets	Total
Mines-SNA and its subsidiary, Société Asbestos ltée	3 315	41 224	24 810	97	69 446
Les Mines d'amiante Bell, ltée	2 779	6 014	22 858		31 651
Atlas Turner inc. and its subsidiaries	3 633	182	3 685	54	7 554
93410 B.C. Ltd. (Turners Building Products Ltd.)	144	115			259
Lupel-SNA inc.	79	10			89
151222 Canada inc.	149	500			649
Descon-SNA inc.	170				170
Magnaq inc.	176		1 530		1 706
Fusoroc inc.	60		1 167		1 227
133299 Canada inc. and its satellite company Roto-SNA inc.	9	1 130			1 139
Ceram-SNA inc.	1 641		1 163	2 379	5 183
	12 155	49 175	55 213	2 530	119 073

* These items constitute the investment in the subsidiaries at their equity value.

SHAREHOLDER LIABILITIES AND EQUITY

Current	Long-term debt	Loans and advances SNA *	Capital stock *	Retained earnings (deficit) *	Total
3 725	7 434	45 300	21 490	(8 503)	69 446
3 922	1 200	41 600	15 000	(30 071)	31 651
6 258	500	16 692	32 712	(48 608)	7 554
25		208	250	(224)	259
1			100	(12)	89
624			25		649
4	25		1 944	(1 803)	170
1 094	5 109		14 068	(18 565)	1 706
545	1 758		4 525	(5 601)	1 227
9	226	297	503	104	1 139
335	700		14 537	(10 389)	5 183
16 542	16 952	104 097	105 154	(123 672)	119 073

SOCIÉTÉ NATIONALE DE L'AMIANTE

AUDITORS' REPORT

To the Minister responsible for the
Société nationale de l'amiante

We have examined the balance sheet of the Société nationale de l'amiante as at March 31, 1988 and the statements of operating results, contributed surplus, deficit and change in financial position for the year then ended. We obtained all the information and explanations sought. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

From the information and explanations provided to us and based on the information contained in the company's books, in our opinion these financial statements present fairly the financial position of the Société at March 31, 1988 as well as the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Maheu Noiseux,
Chartered Accountants

Thetford-Mines, May 27, 1988

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX
R.S.Q., c. S-18.21

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
REVENUE		
Management fees (Note 3)	8 973	7 786
Net financial revenue (Note 4)	452	494
	9 425	8 280
EXPENDITURE		
Wages, salaries and fringe benefits	3 656	2 914
Transportation and communications	622	589
Professional, administrative and other services	4 428	4 122
Maintenance and repairs	29	23
Rent	486	429
Supplies	108	75
Material and equipment	96	77
Depreciation on fixed assets		51
	9 425	8 280

TREATMENT WORK IN PROGRESS
as at March 31, 1988
(in thousands of dollars)

	1988	1987
Draft project studies	5 977	9 828
Studies of wastewater by infiltration and collection (EPIC studies)	25 752	37 786
Preliminary studies	2 735	
Water treatment		
Upgrading	124 096	115 715
Handling of waste	431 949	353 057
Purification	430 177	376 995
	986 222	845 767
Development of banks	2 493	
	1 023 179	893 381

CHANGE IN TREATMENT WORK IN PROGRESS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987	Cumulative (December 1980 to March 31, 1988)
Opening balance	893 381	756 212	
Additions	197 820	216 478	1 200 177
	1 091 201	972 690	1 200 177
Treatment work transferred to municipalities	68 022	79 309	176 998
Closing balance	1 023 179	893 381	1 023 179

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 5)	5 723	5 374
Prepaid expenses	515	795
	6 238	6 169
LONG-TERM RECEIVABLES (Note 6)	1 161 224	972 688
DISCOUNT AND ISSUE EXPENSES ON THE LONG-TERM DEBT	48 929	56 833
FUNDS RESERVED FOR PAYMENT OF A PORTION OF LONG-TERM DEBT	3 695	1 687
	1 220 086	1 037 377
LIABILITIES		
CURRENT LIABILITIES		
Outstanding cheques less cash	25 265	18 052
Accounts payable, holdbacks on contracts and accrued expenses (Note 7)	16 397	16 834
	41 662	34 886
DEFERRED REVENUE	5 047	5 710
LONG-TERM DEBT (Note 8)	1 173 377	996 781
	1 220 086	1 037 377

COMMITMENTS (Note 9)
CONTINGENT LIABILITIES (Note 10)

On behalf of the Board of Directors,

Pierre-Maurice Vachon
Jean-Yves Babin

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

1. Constitution, purpose and financing

A corporation within the meaning of the Civil Code, the Société québécoise d'assainissement des eaux was incorporated under a special Act to:

- design, build, improve, expand, start up, finance or operate water treatment facilities for the needs of municipalities and carry out restoration work on municipal sewer systems;
- carry out studies for restoration of municipal sewer systems;
- carry out other studies with respect to sewage and water treatment;
- finance work to improve the bed, shores and land bordering the shores of lakes and watercourses;
- finance work to regulate water levels in lakes and watercourses.

The Société has been given until December 31, 1990 to undertake construction, improvement or expansion of water treatment facilities and municipal sewer restoration work.

The Société is a non-profit organization. It bills the gouvernement du Québec and municipalities for the water treatment studies and work it carries out.

2. Accounting policies

The Société's financial statements have been prepared by management in accordance with the accounting policies described below. These statements include amounts based on best estimates and judgment.

Management fees

Management fees are determined according to a percentage of the cost to complete water treatment facilities and other work.

- Billing

  Revenue from management fees is billed as follows for treatment work:

  . Based on disbursements for studies of wastewater by infiltration and collection (EPIC) and draft project studies;

  . According to an even distribution over the estimated life of the work for purification work.

  Revenue from management fees for other types of work is billed according to a percentage of the cost of work completed.

- Deferred revenue

  Management fees to be billed for the full execution of the Société's mandate cover the period over which the work is being completed as well as the period of management and financing of the debt service related to such work.

  The Société is unable to determine the exact total of management fees per year in relation to the total duration of its mandate.

  Consequently, the annual surplus of billed management fees over net operating expenses is charged to deferred revenue or, where applicable, a portion of deferred revenue equal to the annual surplus of net operating expenses over billed management fees is then transferred to revenue for the year.

2. Accounting policies (cont'd)

Expenditure

Current operating expenditure is recorded using the accrual method.

Treatment work in progress

Costs chargeable to water treatment and the development of river banks, as well as interim financing charges are recorded using the accrual method.

Even though the Société bills the gouvernement du Québec on the municipalities' account and the municipalities themselves, it remains owner of the treatment work until such work has been transferred to the municipalities. The work is transferred once the procedures for final delivery of purification units have been completed, even if other types of work are still in progress.

Long-term receivables

Long-term receivables from the gouvernement du Québec for the municipalities and from the municipalities themselves include disbursements for water treatment and the development of river banks, less any repayments received.

Fixed assets

Fixed assets other than those related to purification work whose unit cost is $50 000 are capitalized at acquisition cost and depreciated using the straight-line method over three years. Other fixed assets are charged to expenditure.

Interest on long-term debt

Interest charges on the long-term debt are recorded when paid.

Discount and issue expenses on the long-term debt

Discount and issue expenses on the long-term debt are amortized according to the effective rate over the term of the borrowing, and the amortization is recorded on the anniversary date of the borrowing.

Pension plans

The employer contribution to the Government and Public Employees Retirement Plan (RREGOP) is assumed by the gouvernement du Québec and is not shown on the statement of revenue and expenditure.

3. Management fees

	1988	1987
Draft project studies	20	124
Studies of wastewater by infiltration and collection (EPIC)	354	442
Preliminary studies	318	
Purification work	7 418	7 607
Municipal work	156	311
Other	44	9
	8 310	8 493
Transfer of or (to) deferred revenue	663	(707)
	8 973	7 786

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

4. Net financing revenue

	1988	1987
Interest billed to the gouvernement du Québec for the municipalities and to the municipalities	101 940	96 831
Interest charged to treatment work in progress	1 649	2 209
	103 589	99 040
Less:		
Interest on long-term debt	75 257	63 364
Depreciation on discount and issue expenses for the long-term debt	8 777	8 043
Interest on bank borrowings	19 103	27 139
	103 137	98 546
	452	494

5. Accounts receivable

	1988	1987
Interest receivable on long-term receivables		
Gouvernement du Québec for the municipalities	5 050	3 883
Municipalities	576	1 124
	5 626	5 007
Other	97	367
	5 723	5 374

6. Long-term receivables

	1988	1987
Gouvernement du Québec for the municipalities:		
Draft project studies	7 403	8 244
Studies of wastewater by infiltration and collection (EPIC)	30 231	29 242
Preliminary studies	2 296	
Purification work	965 226	806 554
Development of banks	2 103	175
Amounts to be deferred	1 007 259	844 215

6. Long-term receivables (cont'd)

	1988	1987
Amounts deferred	1 007 259	844 215
Municipalities:		
Preliminary studies	120	
Purification work	137 329	112 472
Development of banks	897	
	138 346	112 472
Work completed to be billed	15 619	16 001
	1 161 224	972 688

The above receivables bear interest at a rate equal to that paid by the Société on the long-term debt. They are payable as follows:

Draft project studies	5 years
Studies of wastewater by infiltration and collection (EPIC)	5 years
Preliminary studies	5 years
Purification work	
Municipalities	20 years
Gouvernement du Québec	25 years
Development of banks	20 years

7. Accounts payable, holdbacks on contracts and accrued expenses

	1988	1987
Société operations		
Accounts payable	778	833
Work completed		
Accounts payable	7 006	4 915
Holdbacks on contracts	8 613	11 086
	15 619	16 001
	16 397	16 834

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

8. Long-term debt

	1988	1987
Bonds (a)		
Various issues of 6.40% to 13.15% (effective rate of 9.5% to 13.43% taking discount or premium into account) payable from 1988 to 1993, interest payable annually or semi-annually (b)	534 160	384 160
Notes payable (a)		
Rates of 6% to 10.56% (effective rates of 8.93% to 13.43% taking discount into account) repayable from 1989 to 1997, interest payable annually or semi-annually (b)	462 879	412 879
Bank borrowings (c)	176 338	199 742
	1 173 377	996 781

(a) Principal and interest on bonds and notes payable are guaranteed by the gouvernement du Québec. Provisions have been made for the long-term refinancing of the unamortized principal balance on these debts at their maturity.

(b) A number of these borrowings were contracted in foreign currency. Principal and interest are covered by exchange swaps at fixed rates set in advance.

(c) Long-term financing for these bank loans will be arranged once financing terms have been settled.

9. Commitments

- Under agreements reached with municipalities and the gouvernement du Québec concerning the execution and financing of water treatment and the development of riverbanks and lake shores, the Société is bound by commitment for the following amounts:

	1988	1987
To be completed pursuant to signed agreements	2 034 747	1 941 000
Completed	1 200 177	1 002 357
Balance to be attained	834 570	938 643

- The Société is bound by leases extending until November 30, 1990 for rental of office space. The balance owed under the commitment as at March 31, 1988 is $0.7 million.

10. Contingent liabilities

As at March 31, 1988, various Société suppliers have submitted claims amounting to $28.7 million. The Société is challenging these claims. In the opinion of legal counsel, it is presently impossible to determine the outcome of the suits and the amount for which the Société might be held liable. Accordingly, no allowance has been set aside in the financial statements. Any amount it might be ordered to pay will be charged to the project concerned for subsequent billing to the gouvernement du Québec for the municipalities and to the municipalities.

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

AUDITOR'S REPORT

I have examined the balance sheet of the Société québécoise d'assainissement des eaux as at March 31, 1988 and the statement of revenue and expenditure for the year then ended. I have also examined the table of treatment work in progress at March 31, 1988 and the table of their change during the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 26, 1988

SOCIÉTÉ QUÉBÉCOISE DES TRANSPORTS
R.S.Q., c. S-22.1

CONSOLIDATED STATEMENT OF OPERATING RESULTS
for the fiscal year ended December 31, 1987

	1987	1986
		(Note 3)
REVENUE		
Subsidies from the gouvernement du Québec:		
Interest on long-term debt	$379 940	$1 329 424
Operations		1 030 983
	379 940	2 360 407
EXPENDITURE		
Wages, salaries and fringe benefits	301 492	405 993
Directors' fees		38 827
Professional fees	131 933	17 117
Travel and representation	27 078	39 763
Rental of office space, taxes and insurance	96 263	92 693
Office supplies and expenses	12 344	28 289
Depreciation on fixed assets	6 708	26 503
Financial charges - net (Note 12)	663 782	1 298 661
	1 239 600	1 947 846
(LOSS) PROFIT NOT INCLUDING THE FOLLOWING ITEMS:	(859 660)	412 561
Write-down of an investment (Note 6 a)	(1 107 471)	(2 250 988)
Gain on disposal of other investments	634 293	3 633 142
Participation in the net loss of Québecair		(10 417 428)
Share in the results of companies subject to significant influence		90 322
Loss on disposal of investment in Québecair		(1 353 525)
	(473 178)	(10 298 477)
NET LOSS FOR THE YEAR	$1 332 838	$9 885 916

SOCIÉTÉ QUÉBÉCOISE DES TRANSPORTS

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended December 31, 1987

	1987	1986
		(Note 3)
OPERATING ACTIVITIES		
Net loss for the year	$(1 332 838)	$(9 885 916)
Items not affecting liquid assets		
Depreciation on fixed assets	6 708	26 503
Items relating to investment results	473 178	10 298 477
Funds (absorbed) generated by operations	(852 952)	439 064
Change in current assets and liabilities other than liquid assets	(141 039)	15 174
Funds (absorbed) generated by operating activities	(993 991)	454 238
FINANCING ACTIVITIES		
Repayment of long-term debt	(6 750 000)	(14 832 100)
Long-term borrowings		3 050 268
Cash inflow from subsidies receivable		2 673 067
Funds absorbed by financing activities	(6 750 000)	(9 108 765)
INVESTMENT ACTIVITIES		
Proceeds from disposal of investments	1 007 000	8 965 734
Repayment of consented advance to an agent	2 250 000	2 130 232
Balance of Québecair sale price	5 000 000	
Charges related to the sale of Québecair		(2 356 989)
Acquisition of fixed assets		(225)
Funds generated by investment activities	8 257 000	8 738 752
INCREASE IN LIQUID ASSETS DURING THE YEAR	513 009	84 225
OPENING CASH POSITION	518 170	433 945
CLOSING CASH POSITION AND TERM DEPOSITS	$1 031 179	$518 170

CONSOLIDATED DEFICIT
for the fiscal year ended December 31, 1987

	1987	1986
OPENING BALANCE		
Balance carried forward	$33 432 671	$21 622 132
Adjustment -- provision for claims payable (Note 3)	1 412 849	
Adjusted balance	34 845 520	21 622 132
Net loss for the year	1 332 838	9 885 916
Decrease in subsidy receivable (Note 11)	4 500 000	3 337 472
CLOSING BALANCE	$40 678 358	$34 845 520

SOCIÉTÉ QUÉBÉCOISE DES TRANSPORTS

CONSOLIDATED BALANCE SHEET
as at December 31, 1987

	1987	1986
		(Note 3)
ASSETS		
CURRENT ASSETS		
Cash	$634 475	$518 170
Term deposits	396 704	
Accounts receivable	15 350	37 518
Prepaid expenses	10 014	5 265
Subsidies receivable (Note 4)	4 500 000	4 500 000
Advances to an agent appointed by the Government (Note 5)	800 268	2 250 000
Balance of selling price of investments receivable		5 000 000
	6 356 811	12 310 953
ADVANCES TO AN AGENT APPOINTED BY THE GOVERNMENT (Note 5)		800 268
INVESTMENTS (Note 6)	3 804 659	5 284 837
SUBSIDIES RECEIVABLE		4 500 000
FIXED ASSETS (Note 7)		6 708
	$10 161 470	$22 902 766
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$103 714	$262 172
Allowance for claims (Note 13)	1 756 046	1 756 046
Payments on long-term debt (Note 8)	5 300 268	7 550 268
	7 160 028	9 568 486
LONG-TERM DEBT (Note 8)		4 500 000
	7 160 028	14 068 486
SHAREHOLDER EQUITY		
Capital stock (Note 9)	28 679 800	28 679 800
Preferred shares of 1848-7199 Québec Inc. (Note 10)	15 000 000	15 000 000
Deficit	(40 678 358)	(34 845 520)
	3 001 442	8 834 280
	$10 161 470	$22 902 766

CONTINGENT LIABILITIES (Note 13)

On behalf of the Board of Directors,

Pierre Michaud
Jean-P. Vézina

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution and purpose

The Société québécoise des transports is a joint-stock company incorporated under a special Act.

According to that Act, the purpose of the Société is to:

- promote the establishment, modernization, expansion, development, consolidation and grouping of transportation firms to meet Québec's commercial and industrial needs and promote exports of goods produced in the province;
- maximize the socioeconomic benefits to Quebecers from transportation and related activities;
- act as a management and holding company in the transportation sector.

2. Accounting policies

The Société's financial statements have been prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

Consolidation

The consolidated financial statements include the accounts of the Société québécoise des transports and its wholly-owned subsidiary 1848-7199 Québec Inc.

Investments

Portfolio investments are recorded at cost, less any lasting decrease in value.

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method over a three-year period.

3. Adjustment made to previous fiscal year

This adjustment involves an increase of $1 412 849 in the provision for claims payable at December 31, 1986, whose outcome management was unable to assess at this date (Note 13).

As a result, the following items in the financial statements of the fiscal year ended December 31, 1986 have increased as stated:

Consolidated liabilities	
Provision for claims	$1 412 849
Consolidated deficit	1 412 849
Consolidated operating results	
Loss on disposal of investment in Québécair and net loss for the year	1 412 849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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4. Subsidies receivable

	1987	1986
To bolster the equity of Québecair's shareholder. This subsidy was assigned as security for the long-term debt of the Société (Note 8) and is receivable at the rate of $4 500 000 per year until 1988	$4 500 000	$9 000 000
Portion receivable within one year	4 500 000	4 500 000
		$4 500 000

5. Advances to an agent appointed by the Government

Pursuant to the regulation designed to promote financing of a program to reduce the number of taxi licenses in the greater Montréal region, the Government has appointed an agent who, through the Société, receives advances representing the amounts needed to buy back the licenses.

	1987	1986
Consented advances	$800 268	$3 050 268
Portion receivable within one year	800 268	2 250 000
		$800 268

6. Investments

	1987	1986
Portfolio investments		
Propair Inc. -- category "A" preferred shares, without dividend, non-redeemable -- at cost	$3 000 000	$3 000 000
Corporation de gestion La Vérendrye -- common shares -- at cost written down (a)	804 659	1 912 130
	3 804 659	4 912 130
Company subject to significant influence -- at equity value		
Navigation Sonamar Inc.		372 707
	$3 804 659	$5 284 837

(a) The book value of this investment was decreased by $1 107 471 at December 31, 1987 ($2 250 988 at December 31, 1986) to account for a permanent decrease in value. The Société received a purchase offer of $804 659 on March 9, 1988.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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7. Fixed assets

	1987	1986
Furniture and computer equipment - at cost	$79 511	$79 511
Accumulated depreciation	79 511	72 803
Unamortized cost		$6 708

8. Long-term debt

	1987	1986
Debentures, Series "A", 0.625% below the average prime rate of three Canadian chartered banks, payable by annual instalments of $4 500 000 maturing December 22, 1988 (a)	$4 500 000	$9 000 000
Bank term loan, prime rate, repayable any time before October 1, 1988	800 268	3 050 268
	5 300 268	12 050 268
Instalments due within one year	5 300 268	7 550 268
		$4 500 000

a) These debentures are secured by the assignment to the trustee, for the sole benefit of debenture holders, of the subsidy authorized by Order-in-Council 2665-83. This Order-in-Council authorizes the Minister of Transport, for and on behalf of the Government, to grant a subsidy from funds voted each year for this purpose by the National Assembly for the full payment, at maturity dates for principal and interest stipulated in the debentures, including at any total or partial call date, of the principal or interest then payable on the debentures as the case may be.

9. Capital stock

	1987	1986
Authorized:		
750 000 shares with a par value of $100 each		
Issued and fully paid:		
286 798 shares	$28 679 800	$28 679 800

The shares of the Société are held by the gouvernement du Québec.

10. Preferred shares in 1848-7199 Québec Inc.

As Société shareholder, the gouvernement du Québec holds 6 666 666 class "B", preferred no-par value participating and convertible shares in 1848-7199 Québec Inc.

11. Decrease in subsidy receivable

At the Conseil des ministres' request, during the year the Société allocated $4 500 000 ($3 337 472 in 1986) from investment disposal proceeds to the repayment of its long-term debt. The subsidy receivable from the gouvernement du Québec in 1987 for the repayment of its long-term debt was therefore decreased by the same amount. This decrease has been charged to the Société's deficit given that the above subsidy had been recorded under contributed surplus and later transferred to the deficit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
at December 31, 1987

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12. Net financial charges

	1987	1986
Interest on long-term debt	$934 810	$2 000 878
Less: Interest earned on:		
Advances paid to an agent appointed by the Government	140 285	465 840
Bank deposits	130 743	124 308
Loan to Québecair		112 069
	271 028	702 217
	$663 782	$1 298 661

13. Contingent liabilities

Pursuant to the September 1, 1987 agreement for the sale of shares in Québecair, the Société and its shareholder, the gouvernement du Québec, commitment themselves to compensate the buyer for the amounts which the latter or Québecair may be called upon to pay as a result of the following litigation occurring before August 1, 1986:

a. Lawsuits, notices and grievances filed against Québecair and its subsidiaries totalling $851 393 as a result of employee layoffs, default on contracts and failure to meet commitments.

b. Future claims filed against Québécair for uplift charges between 1982 and 1985 inclusive.

At December 31, 1987, lawsuits and other filed claims totalled $16 511 149 ($8 596 717 at December 31, 1986). Based on information available at the time, management estimated the provision for claims payable at $1 756 046. During the year, this provision was increased by $1 412 849 through an adjustment to the previous fiscal year.

Any amount which the Société may be called on to pay during the fiscal years ending after December 31, 1987, plus the provision for clams payable at such time, in relation to any above-mentioned litigation for which management is unable to assess the probable outcome will be recorded as an adjustment during fiscal 1986.

14. Comparative figures

Certain comparative figures from the statement of change in financial position for 1986 have been reclassified for consistency with the presentation adopted in 1987.

SOCIÉTÉ QUÉBÉCOISE DES TRANSPORTS

AUDITOR'S REPORT

I have examined the consolidated balance sheet of the Société québécoise des transports as at December 31, 1987 as well as the consolidated statements of operating results, deficit and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at December 31, 1987 and the results of its operations and change in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, April 18, 1988

SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE -- SOQUEM
R.S.Q., c. S-19

CONSOLIDATED STATEMENT OF OPERATING RESULTS AND DEFICIT
for the fiscal year ended March 31, 1987

	1988	1987
	(Note 2)	
MINING OPERATIONS		
Net operating revenue	$40 021 934	$49 177 813
Operating expenses	41 370 876	40 323 755
Royalties	509 395	521 468
	41 880 271	40 845 223
Operating (loss) profit	(1 858 337)	8 332 590
ABANDONED MINING PROJECTS AND OTHER EXPENSES		
Abandoned mining projects	1 530 315	5 621 648
Research work	447 358	626 558
Other net expenses	1 567 853	3 035 686
	3 545 526	9 283 892
	(5 403 863)	(951 302)
Net financial revenue (expenses) (Note 11)	40 526	(2 988 950)
Participation in net profits of associated companies	6 687 113	2 848 883
PROFIT (LOSS) BEFORE MINING DUTIES AND EXTRAORDINARY ITEMS	1 323 776	(1 091 369)
Mining duties		(331 000)
Extraordinary items (Note 12)	5 577 583	26 311 316
NET PROFIT	6 901 359	24 888 947
OPENING (DEFICIT)	26 941 746	51 830 693
CLOSING DEFICIT	$20 040 387	$26 941 746

SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE -- SOQUEM

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL SITUATION
for the fiscal year ended March 31, 1988

	1988	1987
	(Note 2)	
OPERATING ACTIVITIES		
Funds (absorbed) generated by operations (Note 13)	$(1 851 928)	$2 903 237
Change in current assets and liabilities other than liquid assets	(35 435 218)	1 072 526
Funds (absorbed) generated by operating activities	(37 287 146)	3 975 763
FINANCING ACTIVITIES		
Payments on long-term debt	(7 357 353)	(84 724 113)
Long-term debt		11 210 440
Deferred revenue		(637 950)
Funds (absorbed) by financing activities	(7 357 353)	(74 151 623)
INVESTMENT ACTIVITIES		
Proceeds from disposals:		
Subsidiary-Mines Seleine Inc.	39 038 675	
Investments	12 732 612	104 106 214
Fixed assets	59 069	589 992
Acquisitions:		
Subsidiary of Mines-Seleine inc., other than liquid assets	(2 471 726)	
Investments	(177 935)	(10 645 072)
Fixed assets	(3 152 227)	(8 140 767)
Deferred expenses	(3 830 964)	(2 402 247)
Inventory of ingots reserved for gold sales contracts		(2 649 146)
Funds generated by investment activities	42 197 504	80 858 974
(DECREASE) INCREASE IN LIQUID ASSETS DURING THE YEAR	(2 446 995)	10 683 114
OPENING LIQUID ASSETS (BANK INDEBTEDNESS)	3 581 306	(7 101 808)
CLOSING LIQUID ASSETS	$1 134 311	$3 581 306

The Société's liquid assets include cash and term deposits less bank loans.

SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE -- SOQUEM

CONSOLIDATED BALANCE SHEET
as at March 31, 1988

	1988	1987
	(Note 2)	
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$10 634 311	$4 971 716
Accounts receivable	429 500	4 017 190
Balance on sale price (Note 4)	43 236 398	
Inventory of ingots reserved for gold sales contracts (Note 5)	1 740 406	648 546
Prepaid expenses	82 390	390 025
Adjustment receivable on exchange agreement		2 098 015
Claims receivable		6 474 960
Payments on investments maturing within one year (Note 6)		4 264 162
Inventory of salt and supplies		9 753 210
	56 123 005	32 617 824
INVENTORY OF INGOTS RESERVED FOR GOLD SALES CONTRACTS (Note 5)	1 178 459	2 000 600
INVESTMENTS (Note 6)	51 377 280	51 587 554
FIXED ASSETS (Note 7)	542 626	16 309 515
DEFERRED EXPENSES (Note 8)	14 293 055	11 975 133
	$123 514 425	$114 490 626
LIABILITIES		
CURRENT LIABILITIES		
Bank loan	$9 500 000	$1 390 410
Accounts payable and accrued expenses	4 771 767	2 712 254
Instalments on long-term debt		669 339
Deferred revenue (Note 9)	561 015	593 089
	14 832 782	5 365 092
LONG-TERM DEBT		6 688 014
DEFERRED REVENUE (Note 9)	1 122 030	1 779 266
	15 954 812	13 832 372
SHAREHOLDER EQUITY		
CAPITAL STOCK (Note 10)		
Authorized: 12 500 000 shares with a par value of $10 each		
Issued and fully paid: 11 060 000 shares	110 600 000	110 600 000
CONTRIBUTED SURPLUS	17 000 000	17 000 000
DEFICIT	(20 040 387)	(26 941 746)
	107 559 613	100 658 254
	$123 514 425	$114 490 626

COMMITMENTS (Note 14) **AND CONTINGENT LIABILITIES** (Note 15)

On behalf of the Board of Directors,

Robert De Coster, Director
André F. Laurin, Director

SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE -- SOQUEM

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société québécoise d'exploration minière - SOQUEM, incorporated by a special Act, was founded to carry out all types of mining exploration, research, development, operation and processing of minerals. To this end, SOQUEM is authorized, under the Act, to enter into agreements with any person or company. The Société must make profitability an objective in working towards these goals.

2. Investment disposals

Mines Seleine inc., wholly-owned subsidiary

In accordance with a share sales and purchase agreement of March 31, 1988, SOQUEM sold all its common stock in Mines Seleine inc. to Canadian Salt Company Ltd. for $39 038 675. This transaction resulted in a gain of $4 734 072.

Based on information available at the time these financial statements were being prepared, the Government intends to recover all or part of the proceeds from the sale in accordance with legislative terms and conditions yet to be determined.

Société minière Louvem inc., associated company

On November 5, 1987, SOQUEM sold the 3 093 954 common shares held in the Société minière Louvem inc. to Ressourcs Ste-Geneviève Ltée for $8 353 677, $2 756 713 of which was paid cash; the balance is payable in four quarterly instalments of $1 399 241 plus attendant interest. This transaction resulted in a loss of $1 164 883.

3. Accounting policies

Consolidation

The consolidated financial statements include the accounts of SOQUEM and its wholly-owned subsidiary Soquemines inc.

The consolidated statements of operating results and change in financial position also include operations of the subsidiary Mines Seleine inc. up to the date of its disposal, March 31, 1988.

Inventory of gold ingots

The inventory of gold ingots is valuated at its net realization value.

Investments

SOQUEM records its investments at equity value where it holds at least 20% and no more than 50% of voting securities in an issuing company.

Other investments are recorded at cost.

Fixed assets

Fixed assets are shown at their cost of acquisition. No depreciation is calculated for fixed assets of mining projects not yet at the marketing stage. Other fixed assets are depreciated using the straight-line method based on their anticipated service life.

Deferred expenses

- Costs of acquiring mining rights and interests, mineral exploration, development of discoveries and the attendant administration costs are deferred until such time as a decision is made to proceed with production. Costs concerning a deposit are then transferred to fixed assets. However, when a mining project is abandoned, all inherent costs are charged to operations for the year in which such decision is made.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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3. Accounting policies (cont'd)

- Unrealized gains or losses resulting from changes in the price of gold are transferred to operating results upon disposal of the gold ingots.
- Unrealized gains or losses on foreign exchange are deferred and transferred to operating results upon payment of the amounts required under gold sales contracts or upon disposal of the gold ingots.
- Fees and commissions relating to gold sales contracts, at predetermined prices and dates, are deferred and amortized over the term of these contracts.

Deferred revenue

Revenue arising from gold sales contracts, at predetermined prices and dates, is deferred and credited to the fiscal year in which delivery is made. However, the purchaser is reimbursed if he exercises his option to cancel a delivery.

Foreign currency translation

Current asset and liability accounts are translated at rates of exchange in effect on the date of the balance sheet; operating results accounts are translated at rates of exchange in effect on the date of the transaction. Gains or losses on foreign exchange are recorded in the results of the fiscal year, except for unrealized foreign exchange gains or losses on the inventory of gold ingots and gold sales contracts, which are deferred.

Contributed surplus

Subsidies paid by the gouvernement du Québec as shareholder are recorded as contributed surplus.

4. Balance on sale price

	1988	1987
Disposal of investment in the wholly-owned subsidiary Mines Seleine inc., cashable in 1988, bearing interest at a Canadian chartered bank rate ($35 000 000 was cashed in April 1988) (Note 2)	$39 038 675	
Disposal of investment in the associated company Société minière Louvem inc., cashable in three quarterly instalments of $1 399 241 plus interest calculated at the average prime rate of three Canadian chartered banks, final instalment payable in November 1988 (Note 2)	4 197 723	-
	$43 236 398	

5. Inventory of gold lingots

	1988	1987
Lingots destined for sale	$1 179 391	
Lingots reserved for a gold sales contract maturing within a year	561 015	$648 546
	1 740 406	648 546
Lingots reserved for other gold sales contracts	1 178 459	2 000 600
	$2 918 865	$2 649 146

$1 739 474 worth of the gold lingots inventory has been reserved to ensure that obligations under gold sales contracts are met. At March 31, 1988, the inventory consisted of 3 640 ounces of fine gold. Obligations under these contracts stand at 1 180 ounces for each of the next three years, for a total of 3 540 onces.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

6. Investments

	1988	1987
Associated companies - at equity value* (market value: $106 920 788 ($184 727 521 in 1987)	$50 479 340 **	$50 867 551
Loan to an associated company		4 264 162
Others - at cost	897 940	720 003
	51 377 280	55 851 716
Less: Payments due within one year		4 264 162
	$51 587 554	$51 377 280

* An associated company's year end is December 31. Participation in the net results of this company was calculated using the audited financial statements at December 31, 1987 and the unaudited financial statements for the three-month period ended March 31, 1988.

** This amount includes stock totalling $7 150 057, reserved for the exercise of warrants before January 15, 1990 in consideration for $12 381 413.

7. Fixed assets

	1988	1987
Land, buildings, equipment and other	$1 909 436	$25 025 716
Development costs		409 945
Infrastructures		115 450
	1 909 436	25 551 111
Accumulated depreciation and depletion	1 366 810	9 241 596
	$542 626	$16 309 515

8. Deferred expenses

	1988	1987
Mining projects at the exploration stage		
Opening balance	$11 811 528	$43 289 446
Exploration costs	3 830 964	2 195 901
Development costs		206 350
Mining projects abandoned	(1 530 315)	(5 621 648)
Mining projects transferred		(28 258 521)
Closing balance	14 112 177	11 811 528
Other items related to gold sales contracts		
Opening balance	163 605	2 036 173
Deferred unrealized loss (gain) on foreign exchange and price of gold	220 361	(229 477)
Amortization and write-off	(203 088)	(1 643 091)
Closing balance	180 878	163 605
	$14 293 055	$11 975 133

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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9. Deferred revenue

	1988	1987
Gold sales contracts	$1 683 045	$2 372 355
Less:		
Contract maturing within a year	561 015	593 089
	$1 122 030	$1 779 266

10. Capital stock

SOQUEM shares are held by the gouvernement du Québec.

The Société's authorized capital stock is $125 000 000. The amount issued and fully paid stands at $110 600 000 at March 31, 1988.

The balance of authorized and non-subscribed capital stock, $14 400 000 will be paid in one or more instalments with the prior approval of the Government, under conditions it will determine.

11. Net financial revenue (charges)

	1988	1987
Net interest earnings	$827 781	$1 845 747
Interest on long-term debt	(787 255)	(4 799 537)
Interest on capital lease contracts		(35 160)
	$40 526	$(2 988 950)

12. Extraordinary items

	1988	1987
Gain on disposal of investment in wholly-owned subsidiary Mines Seleine inc. (Note 2)	$4 734 072	
Loss on disposal of investment in associated company La Société miniere Louvem inc. (Note 2)	(1 164 883)	
Gain on the net transfer of assets to Cambior Inc. on August 13, 1986		$37 227 451
Reorganization expenses following transactions with Cambior Inc.	(736 317)	(4 761 008)
Write-off following settlement of an insurance claim including associated expenses for the current year	(335 915)	(8 996 116)
Share of profit resulting from the issue of new shares to third parties by associated companies	3 080 626	440 989
Realization of a benefit related to mining duties		2 400 000
Extraordinary revenue	$5 577 583	$26 311 316

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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13. Funds (absorbed) generated by operations

	1988	1987
Profit (loss) before mining rights and extraordinary items	$1 323 776	$(1 091 369)
Extraordinary items affecting current assets and liabilities	(1 820 808)	(8 628 103)
Items not affecting liquid assets:		
Depreciation and depletion on fixed assets and amortization of goodwill	2 514 035	8 230 581
Deferred expenses -- transfer to operations	1 733 403	7 264 740
Participation in the net profit of associated compagnies including dividents received	(5 987 336)	(2 848 883)
(Gain) on disposal of investments	(57 533)	(1 983)
Loss (gain) on disposal of fixed assets	442 535	(21 746)
	$(1 851 928)	$2 903 237

14. Commitments

Operating lease contracts

SOQUEM is committed under operating lease contracts for a maximum of $3 850 000, extending until the year 2000 at maximum annual rent of $390 000 for the rental of office and warehouse space. Minimum annual instalments to be made under the contracts for the next five fiscal years total $1 586 000.

15. Contingent liabilities

a) Under the agreement for the disposal of investment in Mines Seleine inc. reached March 31, 1988, SOQUEM has contracted various financial commitments which could result in cash input and outflow, the amounts of which could not yet be determined when these financial statements were being prepared. The financial outcome of this transaction will be treated as an adjustment to previous fiscal years.

b) A lawsuit for damages and interest in the amount of $3.8 million has been launched by a subsidiary of SOQUEM and a consulting engineering firm against a contractor concerning work performed by the latter. The contractor, on the other hand, has filed a counterclaim for $3 991 565 against the subsidiary and the consulting firm. In the opinion of the subsidiary's legal counsel, as the matter now stands, it is very unlikely that the subsidiary will be obliged to pay damages and interest to the contractor, and no provision has been set up.

c) SOQUEM has a large reserve of accumulated expenses which may be used to reduce its tax base for purposes of calculating mining duties. At March 31, 1988, there is a temporary difference of $3 800 000 between expenditures from an accounting point of view and those used for purposes of mining duties. This difference produces an eventual benefit of $690 000 related to mining duties which has not been entered in the books.

The amount of any gain or loss which may result from contingencies b) and c) will be carried to operating results when known.

SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE -- SOQUEM

AUDITOR'S REPORT

I have examined the consolidated balance sheet of the Société québécoise d'exploration minière - SOQUEM as at March 31, 1988 and the consolidated statements of operating results and deficit and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 27, 1988

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)
R.S.Q., c. S-20

REVENUE AND EXPENDITURE
for the fiscal year ended March 31, 1988

	1988	1987
REVENUE FROM PUBLICATIONS AND SERVICES (Note 3)	$3 778 870	$3 699 972
COST OF PUBLICATIONS AND SERVICES (Note 4)	2 979 892	2 976 624
GROSS REVENUE	798 978	723 348
Customer service (Note 5)	224 734	208 095
General and administrative expenses (Note 6)	551 108	455 153
	775 842	663 248
NET REVENUE FOR THE FISCAL YEAR	23 136	60 100
SURPLUS ALLOCATED TO WORKING CAPITAL AT THE BEGINNING	135 100	75 000
SURPLUS ALLOCATED TO WORKING CAPITAL AT YEAR-END	$158 236	$135 100

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)

BALANCE SHEET
as at March 31, 1988

	1988	1987
CURRENT ASSETS		
Cash	$285 921	$23 625
Temporary investments	50 000	223 601
Accounts receivable	361 351	355 406
Publications in inventory	289 899	265 307
Work in progress - publications	355 847	298 081
Prepaid expenses	21 501	18 185
	$1 364 519	$1 184 205
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$277 967	$386 063
Deferred revenue	928 316	663 042
	1 206 283	1 049 105
SURPLUS **ALLOCATED TO WORKING CAPITAL**	158 236	135 100
	$1 364 519	$1 184 205

COMMITMENTS (Note 7)

On behalf of the Société,

Jacques Viau
Guy Mercier

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société québécoise d'information juridique (SOQUIJ), a corporation within the meaning of the Civil Code and founded under a special Act, is responsible for promoting research, processing and development of legal information to improve its quality and accessibility to the public.

Any surplus of the Société's revenue over expenditure for a fiscal year must be paid into the Consolidated Revenue Fund, after making provision for working capital, the maximum amount of which is determined by the Government.

2. Accounting policies

The financial statements of the Société have been prepared by management using the accrual method and the accounting policies stated below. These statements include amounts based on best estimates and judgment.

Publications in inventory

The inventory of publications is valued at the lesser of cost and net realization value. The cost of each publication includes direct design and publishing costs (labour, material and printing) and attendant general and administrative expenses. The participations of the ministère de la Justice and other agencies are then subtracted from this amount.

Publications in inventory for a year or more at March 31 are written down by 25% per year.

Work in progress - publications

Work in progress is valued at the lesser of cost and estimated net realization value. The cost of work in progress for each publication is determined in the same way as for the inventory of publications.

Fixed assets

Acquisitions of equipment, furniture, computer hardware and books for the library are charged to operations.

Revenue from publications

Subscription revenue is credited over the duration of the subscriptions. For other publications, the shipping date determines the fiscal year in which revenue is posted.

Pension plan

Employer contributions to the Government and Public Employees Retirement Plan covered by appropriations of government agency are not shown in the statement of revenue and expenditure.

3. Revenue from publications and services

	1988	1987
Private customers	$2 609 255	$2 256 494
Barreau du Québec	600 541	575 137
Ministère de la Justice	234 204	250 691
Chambre des notaires	214 016	171 226
Other agencies	120 854	446 424
	$3 778 870	$3 699 972

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

4. Cost of publications and services

	1988	1987
Publications in inventory and work in progress at the beginning	$563 388	$400 536
Costs for the year		
Direct cost of production	2 300 070	2 297 435
General expenses assigned	911 834	1 014 108
	3 775 292	3 712 079
Less:		
Participations in certain publications:		
Ministere de la Justice	74 554	59 634
Other agencies	75 100	112 433
	3 625 638	3 540 012
Publications in inventory and work in progress at year-end	645 746	563 388
	$2 979 892	$2 976 624

5. Customer service

	1988	1987
Wages, salaries and fringe benefits	$74 549	$66 074
Supplies	61 450	71 208
Rent and municipal taxes	13 642	17 305
Furniture and equipment	14 988	2 514
General expenses assigned	60 105	50 994
	$224 734	$208 095

6. General and administrative expenses

	1988	1987
Wages, salaries and fringe benefits	$871 528	$749 724
Professional fees	81 064	27 065
Travel and representation	29 707	21 292
Communications and courier	83 145	99 859
Rent and municipal taxes	231 312	229 020
Equipment, furniture and maintenance	133 225	325 839
Stationery and office supplies	59 751	44 347
Documentation	12 669	12 420
Insurance	18 907	10 689
Bad debts	1 739	
Amounts to be deferred	1 523 047	1 520 255

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6. General and administrative expenses (cont'd)

	1988	1987
Amounts deferred	$1 523 047	$1 520 255
Less:		
General and administrative expenses charged		
Cost of publications and services	911 834	1 014 108
Customer service	60 105	50 994
	971 939	1 065 102
	$551 108	$455 153

7. Commitment

The Société is bound under long-term leases extending until 1992 for administrative premises and equipment, for which the total minimum rent payable is $949 865.

Minimum annual rent over the next four years is as follows:

1989	$264 773
1990	265 253
1991	265 763
1992	154 076

8. Comparative figures

Certain figures from the statement of revenue and expenditure for 1987 have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Société québécoise d'information juridique (SOQUIJ) as at March 31, 1988 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, June 7, 1988

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES AGRO-ALIMENTAIRES — SOQUIA
R.S.Q., c. S-21

OPERATING RESULTS AND RETAINED EARNINGS
for the fiscal year ended March 31, 1988

	1988	1987
INVESTMENT EARNINGS		
Net profit (net loss) of subsidiaries (Note 5)		
C.D.M.V. Inc.	$2 002 593	$1 470 095
Usine de congélation de St-Bruno Inc.	503 940	(199 535)
Centre d'insémination artificielle du Québec (C.I.A.Q.) Inc.	6 680 549	6 641 839
Société québécoise des pêches	1 557 709	(86 536)
Société québécoise des bio-technologies agro-alimentaires -- BIO-AGRAL	(143 493)	(168 806)
	10 601 298	7 657 057
Interest	2 364 397	2 284 551
Dividends	1 883 377	1 991 485
Gain on disposal of capital stock	78 816	1 865 148
Other revenue	347 258	33 131
	15 275 146	13 831 372
PROVISION FOR LOSSES		
Capital stock holding and loans including accrued interest and interest receivable (Note 4 c)	(739 834)	2 854 148
Bank loan guarantees (Note 8)		(459 000)
	(739 834)	2 395 148
ADMINISTRATIVE EXPENSES		
Wages, salaries and fringe benefits	806 514	657 665
Travel and representation expenses	107 425	65 725
Professional and administrative services	207 526	156 642
Office rental and maintenance	125 153	128 837
Tax on capital	110 423	95 864
Financial charges	5 474	7 210
Miscellaneous expenses	128 979	116 445
Depreciation on fixed assets	12 554	18 280
	1 504 048	1 246 668
NET PROFIT	14 510 932	10 189 556
OPENING RETAINED EARNINGS (DEFICIT)	6 153 179	(4 036 377)
CLOSING RETAINED EARNING	$20 664 111	$6 153 179

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES AGRO-ALIMENTAIRES —SOQUIA

STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988

	1988	1987
OPERATING ACTIVITIES		
Net profit for the fiscal year	$14 510 932	$10 189 556
Items not affecting liquid assets		
Net profit of subsidiaries less dividends	(8 196 870)	(5 496 467)
Provision for losses on capital stock holdings and loans	(803 055)	2 373 168
Gain on disposal of capital stock holdings	(78 816)	(1 865 148)
Loss on disposal of fixed assets	6 712	2 338
Depreciation on fixed assets	12 554	18 280
Funds generated by operations	5 451 457	5 221 727
Change in current assets and liabilities other than liquid assets	456 128	(4 442 887)
Funds generated by operating activities	5 907 585	778 840
FINANCING ACTIVITIES		
Reimbursement of advances from the gouvernement du Québec	(110 500)	(38 000)
Assets given by the gouvernement du Québec		892 945
Funds (absorbed) generated by financing activities	(110 500)	854 945
INVESTMENT ACTIVITIES		
Capital stock holdings and loans granted	(7 705 847)	(4 032 365)
Proceeds from the disposal of capital stock holdings	1 464 444	4 445 326
Decrease in loans	1 514 515	4 400 394
Other assets	(362 612)	
Investment in wholly-owned subsidiaries	(104 291)	(641 383)
Acquisitions of fixed assets	(32 895)	(10 049)
Proceeds from disposal of fixed assets	3 170	12 600
Funds (absorbed) generated by investment activities	(5 223 516)	4 174 523
INCREASE IN LIQUID ASSETS DURING THE FISCAL YEAR	573 569	5 808 308
OPENING CASH AND TERM DEPOSITS	18 630 220	12 821 912
CLOSING CASH AND TERM DEPOSITS	$19 203 789	$18 630 220

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES AGRO-ALIMENTAIRES — SOQUIA

BALANCE SHEET
as at March 31, 1988

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$19 203 789	$18 630 220
Accounts receivable	10 511	8 237
Owed by the gouvernement du Québec (Note 3)	1 535 741	199 785
Accrued interest and dividends receivable	1 465 720	1 200 497
Principal payments on investments due within one year (Note 4 a and b)	1 433 514	3 522 239
	23 649 275	23 560 978
INVESTMENTS		
Wholly-owned subsidiaries (Notes 4 a and 5)	35 977 215	27 676 054
Capital stock holdings and loans (Note 4 b and c)	27 147 073	21 538 314
	63 124 288	49 214 368
Fixed Assets (Note 6)	70 693	60 234
OTHER ASSETS (Note 7)	362 612	
	$87 206 868	$72 835 580
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$122 111	$151 255
Allowance for claims - bank loan guarantees (Note 8)	36 000	36 000
	158 111	187 255
ADVANCES FROM THE GOUVERNEMENT DU QUÉBEC	151 500	262 000
SHAREHOLDER EQUITY		
CAPITAL STOCK (Note 9)		
Authorized		
850 000 shares with a par value of $100 each		
Issued and paid		
558 000 shares	55 800 000	55 800 000
ASSETS ASSIGNED FREE OF CHARGE BY THE GOUVERNEMENT DU QUÉBEC (Note 10)	10 433 146	10 433 146
RETAINED EARNINGS	20 664 111	6 153 179
	86 897 257	72 386 325
	$87 206 868	$72 835 580

CONTINGENT LIABILITIES (Note 11)

On behalf of the Board of Directors,

Jean Guilbault, C.A.
Agnès Jarnuszkiewicz
Jean Guilbault

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES AGRO-ALIMENTAIRES — SOQUIA

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Constitution and purpose

The Société québécoise d'initiatives agro-alimentaires - SOQUIA, is a joint-stock company incorporated under a special Act and is responsible for:

- promoting the establishment, modernization, expansion, development, consolidation or grouping of firms in the food production sector;
- taking part in the production, processing, packaging and marketing of any foodstuffs derived from agriculture or commercial fisheries.

SOQUIA's activities centre around the acquisition of shares and the granting of shareholder loans to firms operating in Québec's agriculture and food production sector. SOQUIA shares belong to the public domain and are assigned to the Minister of Finance.

2. Accounting policies

SOQUIA financial statements have been prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on best estimates and judgment.

Investments

Subsidiaries

SOQUIA's holdings in wholly-owned subsidiaries, namely C.D.M.V. Inc., Usine de congélation de St-Bruno Inc., Centre d'insémination artificielle du Québec (C.I.A.Q.) Inc., Société québécoise des pêches and Société québécoise des biotechnologies agro-alimentaires (BIO-AGRAL), are shown at equity value.

The financial statements of these wholly-owned subsidiaries are not consolidated with those of SOQUIA. Management is of the opinion that presentation at equity value enables its shareholder to analyze the activities of the subsidiaries and those of SOQUIA separately.

Capital stock holdings

Capital stock holdings are shown at acquisition value. SOQUIA's interest initially does not exceed 50% of the firm's capital stock on acquisition. Where SOQUIA subsequently acquires effective control to protect its investment or to ensure continuity of financial intervention, the holding continues to be shown at cost under the same balance sheet item.

Provision for losses on capital stock holdings and loans

Provision for losses on capital stock holdings is determined by valuing each holding at the lesser of cost and estimated realization value. The provision for loans is determined by valuing the anticipated loss of each account for which major collection problems are being encountered.

Fixed assets

Fixed assets are shown at acquisition cost and depreciated using the following methods:

	Rate	Method
Furniture and equipment	20 %	Diminishing balance
Vehicles	25 %	Diminishing balance
Computer hardware	20 %	Diminishing balance
Software	20 %	Straight-line
Leasehold improvement		Term of the lease

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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2. Accounting policies (cont'd)

Pension plan

The employer's contribution to the pension plan for Société employees is assumed by the gouvernement du Québec and is not shown in the financial statements.

3. Owed by the gouvernement du Québec

In accordance with the agreement to purchase shares reached September 18, 1986 between the gouvernement du Québec and Lantic Sugar Ltd. for the sale of all shares of the Raffinerie de sucre du Québec, SOQUIA, as the Government's agent, carried out operations of which the balance for the charges assumed and to be reimbursed by the Government amounted to $1 535 741 at March 31, 1988 (1987: $199 785).

4. Investments

	1988	1987
a) Wholly-owned subsidiaries at equity value		
C.D.M.V. Inc.		
Common shares - at cost	$1 750 000	$1 750 000
Retained earnings	6 568 082	5 125 489
	8 318 082	6 875 489
Usine de congélation de St-Bruno Inc.		
Common shares - at cost	1 064 473	1 064 473
Retained earnings	965 296	461 356
Loan	434 000	473 000
	2 463 769	1 998 829
Centre d'insémination artificielle du Québec (C.I.A.Q.) Inc.		
Common shares - at cost	6 024 111	6 024 111
Retained earnings	15 371 580	10 535 460
	21 395 691	16 559 571
Société québécoise des pêches		
Common shares - at cost	2 650 000	2 650 000
Deficit	814 117	(743 592)
Loans and advances	366 328	369 578
	3 830 445	2 275 986
Amounts to be deferred	36 007 987	27 709 875

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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4. **Investments** (cont'd)

	1988	1987
Amounts deferred	$36 007 987	$27 709 875
Société québécoise des bio-technologies agro-alimentaires -- BIO-AGRAL*		
Deficit	(752 732)	(609 239)
Loan	757 960	611 418
	5 228	2 179
	36 013 215	27 712 054
Payments due within one year	36 000	36 000
	$35 977 215	$27 676 054

* Incorporated under the Act respecting the Société québécoise d'initiatives agro-alimentaires. At March 31, 1988 there had been no issue of shares from its capital stock.

	1988	1987
b) Capital stock holdings and loans -- at cost		
Common shares *	$22 361 975	$20 042 766
Preferred shares *	1 124 295	9 745 236
	23 486 270	29 788 002
Loans	6 233 041	8 605 330
	29 719 311	38 393 332
Payments due within one year	1 397 514	3 486 239
	28 321 797	34 907 093
Provision for losses	1 174 724	13 368 779
	$27 147 073	$21 538 314

* At March 31, 1988, a loss provision of $625 400 ($10 938 362 in 1987) was set up for these common shares. On the closing dates of each of the firms in question, the common shares had a book value of $36 834 656 ($33 132 895 in 1987).

At March 31, 1988, subsidies of $400 000 ($947 210 in 1987) from the gouvernement du Québec were subtracted from the cost of these investments, of which $50 000 ($100 000 in 1987) were in common shares and $350 000 ($847 210 in 1987), in preferred shares.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

4. **Investments** (cont'd)

	1988	1987
c) Provision for losses on capital stock holdings and loans (including accrued interest and interest receivable)		
Opening balance	$13 923 936	$11 069 788
Write-offs during the year:		
Capital stock holdings	9 474 583	
Loans	1 916 417	
Accrued interest and interest receivable on loans	573 113	
	11 964 113	
	1 959 823	11 069 788
Provision for the fiscal year		
Capital stock holdings	(838 379)	302 751
Loans	35 324	2 070 417
	(803 055)	2 373 168
Accrued interest and interest receivable on loans	63 221	480 980
	(739 834)	2 854 148
Closing balance	$1 219 989	$13 923 936

The provision for losses is subtracted from the following balance sheet items:

	1988	1987
Capital stock holdings	$625 400	$10 938 362
Loans	549 324	2 430 417
	1 174 724	13 368 779
Accrued interest and dividends receivable	45 265	555 157
	$1 219 989	$13 923 936

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES AGRO-ALIMENTAIRES -- SOQUIA

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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5. Summary financial data for wholly-owned subsidiaries

(in thousands of dollars)

	Centre de distribution de médicaments vétérinaires C.D.M.V. Inc.	Usine de congélation de St-Bruno Inc.	Centre d'insémination artificielle du Québec (C.I.A.Q.) Inc.	Société québécoise des pêches	BIO-AGRAL	Total	
						1988	1987
Balance sheet as at March 31							
Current assets	10 702	421	12 403	3 835		27 361	18 931
Investments		331				331	2 301
Fixed assets, depreciated	2 323	1 769	11 970	14	7	16 083	12 427
Other assets			780			780	1 014
	13 025	2 521	25 153	3 849	7	44 555	34 673
Current liabilities							
To third parties	4 427	57	2 476	19	2	6 981	5 466
To SOQUIA	280	36	922			1 238	1 116
Long-term debt							
To third parties			359			359	427
To SOQUIA		398		366	758	1 522	1 407
Shareholder equity SOQUIA:							
Capital stock	1 750	1 065	6 024	2 650		11 489	11 489
Retained earnings (deficit)	6 568	965	15 372	814	(753)	22 966	14 768
	13 025	2 521	25 153	3 849	7	44 555	34 673
Operating results and retained earnings (deficit) for the year							
Sales	39 160	1 954	16 469	1 574		59 157	49 620
Gross profit	5 250	671	16 469	1 574		23 964	19 432
Operating and management expenses less other revenue	3 247	167	9 788	16	144	13 362	11 795
Earnings (loss) before Extraordinary item	2 003	504	6 681	1 558	(144)	10 602	7 637
Extraordinaty item							19
Net earnings (net loss) for the year	2 003	504	6 681	1 558	(144)	10 602	7 656
Opening retained earnings (deficit)	5 125	461	10 535	(744)	(609)	14 768	9 273
	7 128	965	17 216	814	(753)	25 370	16 929
Dividends	560		1 844			2 404	2 161
Closing retained earnings (deficit)	6 568	965	15 372	814	(753)	22 966	14 768

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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6. Fixed assets

	Cost	Accumulated depreciation	1988 Net	1987 Net
Furniture and equipment	$146 094	$113 423	$32 671	$39 184
Vehicle	25 070	1 045	24 025	7 969
Computer hardware	23 364	13 368	9 996	12 495
Software	1 462	1 169	293	586
Leasehold improvements	54 427	50 719	3 708	
	$250 417	$179 724	$70 693	$60 234

7. Other assets

Buildings to be sold

On August 31, 1987, the gouvernement du Québec assigned its right to re-purchase land and buildings located at Mont St-Hilaire to the Société for the nominal fee of $1. In addition, it mandated the Société to manage and implement a plan aimed at re-utilizing the buildings for other industrial purposes. As the buildings are to be sold, the Société capitalizes to this project all expenses incurred since September 28, 1987, the date of acquisition.

8. Provision for claims - bank loan guarantees

	1988	1987
Opening balance	$36 000	$495 000
Decrease for the year		(459 000)
Closing balance	$36 000	$36 000

At March 31, 1988, the Société had guaranteed a maximum of $1.1 million (March 31, 1987 - $2.9 million) for bank loans and long-term debt of firms in which SOQUIA or one of its subsidiaries holds an interest.

At March 31, 1988 the balances of such guaranteed bank loans and long-term debt of these firms amounted to $600 000 (March 31, 1987: $2.3 million).

9. Capital stock

The Société's authorized capital stock is $85 000 000.

The remaining authorized but unsubscribed capital stock, amounting to $29 200 000, will be paid for as needed by the Société, in one or more payments, with the Government's prior approval.

10. Assets given by the gouvernement du Québec

	1988	1987
Assets given by the gouvernement du Québec and converted into investments in the subsidiaries	$9 540 201	$9 540 201
Claim by the Raffinerie de sucre du Québec given by the gouvernement du Québec and recorded at net realization value	892 945	892 945
	$10 433 146	$10 433 146

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988

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11. Contingent liabilities

When Pêches Nordiques Inc. stock was disposed of on April 3, 1987, SOQUIA became guarantor to buyers and the company for all losses, damage, costs or expenditure related to lawsuits or claims filed prior to this date.

As regards this guarantee, a supplier has filed a $377 781 lawsuit against the company for settlement of brokerage fees. A provision of $31 192 for possible losses has been recorded, an amount which the Société feels is sufficient to cover the claim. As well, a second claim in the amount of $142 375 has been filed by a former employee. In the Société's opinion, there is no basis to this claim and, therefore, no provision for possible losses has been set up.

12. Comparative figures

Certain comparative figures from 1987 have been reclassified for consistency with the presentation adopted in 1988.

AUDITOR'S REPORT

I have examined the balance sheet of the Société québécoise d'initiatives agro-alimentaires - SOQUIA as at March 31, 1988 and the statements of operating results and retained earnings and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Société at March 31, 1988 and the results of its operations and change in financial position for the year then ended in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, April 29, 1988

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES PÉTROLIÈRES -- SOQUIP
R.S.Q., c. S-22

CONSOLIDATED STATEMENT OF OPERATING RESULTS
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
REVENUE		
Sale of oil and natural gas	46 740	72 976
Less: royalties	1 183	9 002
	45 557	63 974
Participation in net results of a company subject to significant influence (Note 4(a))	7 300	8 894
	52 857	72 868
EXPENDITURE		
Oil and natural gas	30 047	35 445
Depreciation and depletion	18 274	17 660
General and administrative expenses	7 008	6 796
Net financial charges (Note 10)	6 589	15 501
	61 918	75 402
LOSS BEFORE FOLLOWING ITEMS AND EXTRAORDINARY ITEM	(9 061)	(2 534)
Income tax on posted revenue	(493)	(707)
Dividends from the issue of new shares to third parties by Noverco Inc.	93	5 252
Gain (loss) on the disposal of investment	33	(383)
(LOSS) PROFIT BEFORE EXTRAORDINARY ITEM	(9 428)	1 628
Loss on the disposal of assets (Note 3)	(29 655)	
(NET LOSS) NET PROFIT	(39 083)	1 628

CONSOLIDATED STATEMENT OF DEFICIT
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
Opening deficit	42 207	43 835
Net loss (net profit) for the year	39 083	(1 628)
Closing deficit	81 290	42 207

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES PÉTROLIÈRES -- SOQUIP

CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31, 1988
(in thousands of dollars)

	1988	1987
OPERATING ACTIVITIES		
Funds generated by operations (Note 11)	7 534	11 494
Change in current assets and liabilities other than liquid assets	(2 813)	9 688
Funds generated by operating activities	4 721	21 182
FINANCING ACTIVITIES		
Long-term debt - net change	(140 963)	(16 588)
Commitments under capital lease contracts	(667)	(592)
Issue of capital stock		10 000
Gain posted on foreign exchange		452
Funds absorbed by financing activities	(141 630)	(6 728)
INVESTMENT ACTIVITIES		
Net proceeds from the disposal of assets	177 794	
Acquisition of oil and gas properties	(4 051)	(12 642)
Acquisition of fixed assets	(112)	(6 800)
Acquisition of investments	(39 620)	(2 065)
Acquisition of other assets		(769)
Disposal of other assets	102	
Subsidies under petroleum incentive programs	207	2 080
Proceeds from disposal of fixed assets	125	234
Funds generated (absorbed) by investment activities	134 445	(19 962)
DECREASE IN LIQUID ASSETS	(2 464)	(5 508)
OPENING LIQUID ASSETS	4 789	10 297
CLOSING LIQUID ASSETS	2 325	4 789

The Société's liquid assets include cash and term deposits.

SOCIÉTÉ QUÉBÉCOISE D'INITIATIVES PÉTROLIÈRES -- SOQUIP

CONSOLIDATED BALANCE SHEET
as at March 31, 1988
(in thousands of dollars)

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash and term deposits	2 325	4 789
Accounts receivable	4 517	7 325
Subsidies receivable		1 409
Drilling supplies -- at cost	174	170
Prepaid expenses		193
	7 016	13 886
INVESTMENTS (Note 4)	140 531	99 565
OIL AND GAS PROPERTIES (Note 5)	8 307	199 910
FIXED ASSETS (Note 6)	8 744	45 362
OTHER ASSETS	1 425	1 527
	166 023	360 250
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	6 602	13 311
Payments due within the coming fiscal year:		
Long-term debt (Note 7)	857	2 636
Commitments under capital lease contracts (Note 8)	753	667
Advances on natural gas sales contracts		510
	8 212	17 124
LONG-TERM DEBT (Note 7)	23 955	163 139
COMMITMENTS UNDER CAPITAL LEASE CONTRACTS (Note 8)	1 246	1 999
ADVANCES ON NATURAL GAS SALES CONTRACTS		5 136
GAIN POSTED ON FOREIGN EXCHANGE		452
INCOME TAX ON DEFERRED REVENUE		707
	33 413	188 557
SHAREHOLDER EQUITY		
Capital stock (Note 9)	213 900	213 900
Deficit	81 290	42 207
	132 610	171 693
	166 023	360 250

COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)

On behalf of the Board of Directors,

Marc G. Fortier, Chairman
Richard Pouliot, Chairman and Chief Executive Officer

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988
(in thousands of dollars)

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1. Constitution and purpose

The Société québécoise d'initiatives pétrolières (SOQUIP) is a joint-stock company incorporated under a special Act to, directly or through joint ventures, carry on research, development, production, storage, transportation, purchase, importing and sale of hydrocarbons in liquid or gaseous form. Since April 1, 1981, profitability must be the Société's overall objective in achieving these goals.

2. Accounting policies

The Société's financial statements have been prepared by management in accordance with generally accepted accounting principles. They include amounts based on best estimates and judgment.

Consolidation

The Société's consolidated financial statements include the accounts of SOQUIP and its wholly-owned subsidiaries:

- Exploration SOQUIP Inc. and its subsidiary, SOQUIP Atlantique Inc.;
- SOQUIP Alberta Inc.*;
- Sundance Oil Company and its subsidiary, Sundance Oil Colorado Inc.;
- Sundance Oil Canada Ltd.;
- Soligaz Inc. (administrative representative of Soligaz consortium)

* Includes operations of its subsidiary Exploration SOQUIP Alberta Inc. to September 30, 1987.

Investments

Société investments are recorded at equity value when the company's holdings in voting securities give it significant influence in financial and administrative decisions of the issuing company.

Other investments are recorded at cost.

Oil and gas properties

SOQUIP uses the full-costing method, with Canada as the sole cost centre.

Under the full-costing method, SOQUIP charges all exploration and development costs to its oil and gas properties. These costs include the costs of acquiring concessions, geological and geophysical work, rent on non-productive land and drilling costs, as well as general expenses related to exploration and development.

The Société capitalizes interest on borrowings related to certain assets at the effective rate on its long-term debt. These assets include undeveloped land for which an appraisal has not been undertaken or completed, as well as major drilling, development or construction projects in progress.

These costs are identified with projects for which an appraisal has been completed or with projects for which such appraisal is in progress. The accumulated costs for projects whose appraisal is completed are amortized using the proportional depletion method based on the amount produced compared with estimated proven oil and gas reserves.

Oil and gas properties covered by projects for which an appraisal has been completed are valued at the lesser of amortized value and salvage value of proven oil and gas reserves.

The accumulated costs of projects being appraised, including large projects for which no proven reserves have been found, are excluded from the depletion calculation until proven reserves have been discovered, or the project is abandoned.

Subsidies to which the Société is entitled under petroleum incentive programs are applied against the cost of oil and gas properties.

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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2. Accounting policies (cont'd)

Acquisition and exploration costs for certain oil and gas properties determined by SOQUIP management, including costs incurred since the beginning of operations until March 31, 1981 and for which economically recoverable reserves of hydrocarbons have not been discovered, were written off on March 31, 1986.

Fixed assets

Fixed assets are recorded at cost. Depreciation is calculated using the diminishing balance method at a constant annual rate, as follows:

Gas processing plants	5%
Gas pipeline	6%
Warehouses and equipment	5% to 20%
Rolling stock	5% to 30%

Leasehold improvements are depreciated according to estimated service life based on the length of the lease.

Subsidies for which the Société is eligible under petroleum incentives programs are recorded less the cost of fixed assets.

Capital lease contracts

Where, under the terms of a lease, nearly all the advantages or risks inherent in ownership of the leased asset accrue to the Société, the cost of the leased asset and the present value of the resulting commitment are recorded in the accounts as if it were an acquisition of an asset and a loan. Assets covered by capital lease are depreciated using the same method as other fixed assets.

Joint ventures

The Société is involved in many joint ventures. The financial statements reflect only the Société's share.

Foreign currency translation

Items in the financial statements in foreign currency have been translated into Canadian dollars at the following rates: current assets and liabilities and long-term debt at the closing rate; other assets and liabilities at the rate in effect at acquisition or assumption; revenue and expenses, at the average rate for the year, except for depreciation and depletion, which are translated at the same rates as the corresponding assets. Gains or losses resulting from foreign currency translation of the long-term debt are amortized over the remaining term of the debt.

Income taxes

The Société and some of its subsidiaries are not subject to income taxes. Subsidiaries which are subject to income taxes use the tax deferral method to allow for temporary discrepancies between accounting revenue and taxable income.

3. Disposal of assets to Sceptre Resources Limited

On October 1, 1987, oil and gas properties, fixed assets and current assets of SOQUIP Alberta Inc., and all outstanding common shares in Exploration SOQUIP Alberta Inc. were sold to Sceptre Resources Limited (Sceptre) in consideration for the following:

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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3. Disposal of assets to Sceptre Resources Limited (cont'd)

8 000 000 no par value common shares in Sceptre Resources Limited (at stated and market value of $5 a share)	40 000
SOQUIP Alberta Inc. debt assumed by Sceptre Resources Limited	155 000
	195 000

In addition to the above consideration, SOQUIP Alberta Inc. obtained the right to acquire free of charge a maximum of 5 000 000 additional common shares in Sceptre, based on the yield of properties sold, over the five years beginning January 1, 1988. This future consideration will be recorded as a gain at the time of issue of Sceptre stock.

Loss on the disposal of assets to Sceptre Resources Limited has been established at $29 655 000.

4. Investments

	1988	1987	1988	1987
At equity value				
Noverco Inc. (a) 8 000 000 common shares (1987: 8 000 000 common shares) with no par value (market value $93 000 000; 1987: $111 000 000)	15.36%	15.43%	85 927	84 614
Parex, a partnership (b)	33.33%	33.33%	14 604	14 951
At acquisition value (Note 3)				
Sceptre Resources Limited 8 000 000 no par value common shares (market value $34 000 000)	13.76%		40 000	
			140 531	99 565

a) The share in the net results of Noverco Inc., amounting to $7 300 000 ($8 894 000 in 1987), was determined based on audited financial statements for the year ended September 30, 1987 and on unaudited financial statements for the period ended March 31, 1988. Dividends received during the year amount to $6 080 000 ($5 760 000 in 1987).

b) This partnership was formed by a wholly-owned subsidiary of SOQUIP and two other firms to carry on exploration off the coasts of Nova Scotia and Newfoundland. Recovery of the amount invested depends on the success of future Parex activities; the partnership is currently in the exploration stage.

Under the Parex investment agreement, a change in the petroleum incentive program making it impossible to obtain subsidies representing approximately 80% of exploration costs permits the partners to withdraw from the agreement.

The partners have not yet determined their intentions following the abolition of the program.

SOQUIP's share in Parex assets, liabilities and partners' equity breaks down as follows:

4. **Investments** (cont'd)

	1988	1987
Assets	14 215	14 230
Liabilities	386	54
SOQUIP equity	13 829	14 176

The above figures were taken from the partnership's unaudited financial statements as at March 31, 1988. Parex's most recent audited financial statements cover the year ended December 31, 1987.

5. **Oil and gas properties**

	1988	1987
Appraisal completed - at cost less write-off	18 820	216 702
Appraisal in progress	2 599	16 248
	21 419	232 950
Accumulated appreciation	13 112	33 040
	8 307	199 910

Interest on the long-term debt of $450 000 ($1 011 000 in 1987) and general expenses of $1 114 000 ($2 563 000 in 1987) were capitalized during the year to the cost of the properties. Subsidies totalling $207 000 ($1 802 000 in 1987), received during the year from various government programs, were deducted from the cost of properties.

Depletion for the year amounts to $16 530 000 ($14 571 000 in 1987), including a disposal of $9 000 000 at year-end to enter properties at their salvage value.

6. **Fixed assets**

	1988			1987
	Cost	Accumulated depreciation	Net	Net
Gas processing plant, equipment, rolling stock, storage facilities and land	7 473	2 725	4 748	41 090
Gas pipeline	1 172	312	860	915
Equipment and rolling stock leased under capital lease contracts	4 025	889	3 136	3 357
	12 670	3 926	8 744	45 362

Depreciation for the year stands at $1 744 000 ($3 089 000 in 1987).

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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7. Long-term debt

	1988	1987
SOQUIP		
Interest-free loans payable according to production from certain gas reserves	107	144
Exploration SOQUIP Inc.		
Bank acceptance, out of an authorized amount of $3 800 000, bearing interest at the cost of lender's funds plus 3/4%, repayable in instalments of $750 000 in 1989 and $2 300 000 in 1991	3 775	
Non-interest bearing note		7 677
	3 775	7 677
SOQUIP Alberta Inc.		
Bank loan renewable April 1, 1990, bearing interest at basic rate or at cost of funds plus 1/2%	8 500*	
Bank loan		148 913
Other debts	12 430	9 041
	20 930	157 954
	24 812	165 775
Payments due during the coming year	857	2 636
	23 955	163 139

* The authorized margin of credit is $25 000 000 and the entire stock in Sceptre Resources Limited has been pledged as security on the bank loan.

8. Commitments under capital lease contracts

The minimum payments required under the capital lease break down as follows:

1989	954
1990	1 313
Total required minimum payments	2 267
Less: Amount representing interest calculated at an average rate of 12.12%	268
Present value	1 999
Less: Payments due during the coming year	753
Commitments under capital lease contracts	1 246

9. Capital stock

SOQUIP's capital stock is comprised of shares with a par value of $50 each, held by the gouvernement du Québec.

	1988	1987
Authorized		
5 100 000 shares	255 000	250 000

NOTES TO FINANCIAL STATEMENTS (cont'd)
at March 31, 1988
(in thousands of dollars)

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9. Capital stock (cont'd)

	1988	1987
Issued and fully paid 4 278 000 shares	213 900	213 900

Additional share subscriptions

The balance of authorized, non-subscribed capital stock ($41 100 000) will be paid in one or more instalments, with prior Government approval and on the terms set by it.

10. Net financial charges

	1988	1987
Interest on long-term debt	9 221	17 723
Gain on the repayment prior to maturity of the long-term debt	(1 377)	
Interest on obligations arising from capital lease contracts	287	363
Other interest earnings	(527)	(1 574)
Gain on foreign exchange	(565)	
	7 039	16 512
Interest capitalized to oil and gas properties	450	1 011
	6 589	15 501

11. Funds generated by operations

	1988	1987
(Net loss) net profit	(39 083)	1 628
Items not affecting liquid assets:		
Depreciation and depletion	18 274	17 660
Income tax on deferred revenue	493	707
Deferred gain on foreign exchange	(452)	
Loss on the disposal of assets to Sceptre Resources Limited (Note 3)	29 655	
(Gain) loss on the disposal of investment	(33)	383
Gain on the disposal of fixed assets	(7)	(28)
Participation in net results of companies subject to significant influence, paid dividends deducted	(1 220)	(3 134)
Dividends from the issue of new shares to third parties by Noverco Inc.	(93)	(5 252)
Transfer of advances on gas sales contracts		(470)
Funds generated by operations	7 534	11 494

12. Commitments and contingent liabilities

(a) Under the partnership agreement forming PAREX in September 1983, the Exploration SOQUIP Inc. subsidiary is jointly responsible for Société PAREX obligations.

In addition, Parex has made a commitment to drill two oil wells on the east coast of Canada. The total amount to be invested by the subsidiary is estimated at $380 000.

12. Commitments and contingent liabilities (cont'd)

A $544 000 lawsuit has been filed against SOQUIP regarding payment of its share of expenses for the drilling of a well. In the opinion of SOQUIP's officers and legal counsellors, no substantial liability can come of this action. Therefore, no provision has been entered in the consolidated financial statements regarding this claim.

b) On April 8, 1986, the Société and one of its partners guaranteed the payment of certain expenses to be incurred as part of a market development scheme. SOQUIP's share in this conditional commitment comes to a maximum of $890 000.

c) The Société has made commitments with regard to long-term leases coming to term at different dates until August 31, 1991 for office premises amounting to $2 181 000. The leases contain a five-year renewal option.

The minimal rent for the next four fiscal years breaks down as follows:

1989	1 003
1990	486
1991	488
1992	204

d) Possible gain resulting from the disposal of assets to Sceptre Resources Limited as mentioned in Note 3.

13. Comparative figures

Certain figures from the consolidated statement of operating results for 1987 have been reclassified for consistency with the presentation adopted in 1988, among other things, so as to post to revenue the gross sales of oil and natural gas made by SOQUIP as intermediary under certain supply contracts.

AUDITOR'S REPORT

I have examined the consolidated balance sheet of the Société québécoise d'initiatives pétrolières--SOQUIP as at March 31, 1988 and the consolidated statements of operating results, deficit and change in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Société at March 31, 1988, and the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, F.C.A.
Auditor General of Québec

Québec, May 26, 1988

SODIC QUÉBEC INC.

OPERATING RESULTS
for the fiscal year ended March 31

	1988	1987
FINANCIAL AID		
Gouvernement du Québec subsidy	$13 100 000	$6 325 488
OTHER REVENUE		
Interest	504 046	257 733
Rental of pari-mutuel management system		171 200
Sale of pari-mutuel management system	50 000	195 000
Miscellaneous	1 993	16 248
	556 039	640 181
	13 656 039	6 965 669
EXPENDITURE		
PROGRAM-RELATED ACTIVITIES		
Bursaries		
Events organized by Sodic Québec Inc. (Schedule A)	4 299 000	4 299 000
Other (Schedule B)	3 174 584	1 331 113
Premiums (Schedule B)	357 088	351 078
Financial aid to the industry (Schedule B)	509 355	599 831
Total for the programs	8 340 027	6 581 022
ADMINISTRATIVE EXPENSES		
Administration (Schedule C)	640 143	577 382
Operation and maintenance of pari-mutuel management system		78 079
Depreciation -- pari-mutuel management system		123 083
Depreciation -- other fixed assets	12 464	16 850
	652 607	795 394
	8 992 634	7 376 416
SURPLUS REVENUE (EXPENDITURE)	$4 663 405	$(410 747)

SODIC QUÉBEC INC.

ACCUMULATED SURPLUSES
for the fiscal year ended March 31

	1988	1987
ACTUARIAL RESERVE FOR FINANCIAL AID TO RACECOURSES (Note 5)		
Opening balance	$628 575	$383 333
Financial aid transfers made during the year for previously reserved projects	(169 019)	(160 706)
Increase for new programs	4 992 741	405 948
Transfer of unreserved surplus	4 823 722	245 242
Closing balance	$5 452 297	$628 575
UNRESERVED BALANCE		
Opening balance	$802 113	$1 458 102
Surplus revenue (expenditure)	4 663 405	(410 747)
	5 465 518	1 047 355
Allocation to actuarial reserve for financial aid to racecourses	(4 823 722)	(245 242)
Closing balance	$641 796	$802 113

SODIC QUÉBEC INC.

CHANGE IN FINANCIAL POSITION
for the fiscal year ended March 31

	1988	1987
OPERATING ACTIVITIES		
Surplus revenue (expenditure)	$4 663 405	$(410 747)
Non-cash items charged to operating results		
Depreciation	12 464	139 933
Sale of pari-mutuel management system	(50 000)	(195 000)
	4 625 869	(465 814)
Nomination deposits	(15 431)	(383 350)
Change in working capital		
Items related to programs	(43 630)	(105 839)
Other items	(49 359)	43 743
	4 517 449	(911 260)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(44 882)	(27 910)
Deposit for leasehold improvements	(90 000)	
Proceeds from the sale of fixed assets	50 652	65 000
Decrease in long-term account receivable	30 000	30 000
	(54 230)	67 090
INCREASE (DECREASE) IN LIQUID ASSETS	4 463 219	(844 170)
OPENING LIQUID ASSETS	1 436 085	2 280 255
CLOSING LIQUID ASSETS	$5 899 304	$1 436 085
Represented by:		
Cash	$260 928	$200 919
Term deposits	5 638 376	1 235 166
	$5 899 304	$1 436 085

SODIC QUÉBEC INC.

BALANCE SHEET
as at March 31

	1988	1987
ASSETS		
CURRENT ASSETS		
Cash	$260 928	$200 919
Term deposits	5 638 376	1 235 166
Accounts receivable	33 526	17 079
Deposit for leasehold improvements	90 000	
Expenses deferred to next fiscal year	9 281	2 205
Realizable portion of long-term account receivable (Note 2)	30 000	30 000
	6 062 111	1 485 369
LONG-TERM ACCOUNT RECEIVABLE (Note 2)	300 000	330 000
FIXED ASSETS (Note 3)	79 876	48 111
	$6 441 987	$1 863 480
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		
Program-related activities	$94 845	$138 475
Administration	46 080	71 917
Nomination deposits	41 728	34 530
	182 653	244 922
LONG-TERM LIABILITIES		
Nomination deposits	165 231	187 860
	347 884	432 782
SHAREHOLDER EQUITY		
CAPITAL STOCK (Note 4)	10	10
ACCUMULATED SURPLUS		
Actuarial reserve for financial aid to racecourses (Note 5)	5 452 297	628 575
Unreserved balance	641 796	802 113
	6 094 103	1 430 698
	$6 441 987	$1 863 480

FUTURE LIABILITY, CONTRACTUAL COMMITMENT AND SUBSEQUENT EVENT (notes 6, 7 and 8)

On behalf of the Board of Directors,

Louis Bernard, Director
Yvan Rouleau, Director

SODIC QUÉBEC INC.

NOTES TO FINANCIAL STATEMENTS
at March 31, 1988

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1. Legal status and nature of activities

SODIC Québec Inc. was incorporated under Part IA of the Companies Act to promote and develop the horse racing industry in Québec.

2. Long-term account receivable

	1988	1987
Account receivable, without interest, repayable in annual instalments of $30 000 to May 1, 1990, plus final instalment of $240 000 on May 1, 1991, guaranteed by joint guarantor of principal shareholders in Piste Prévert Inc.	$330 000	$360 000
Portion realizable during next fiscal year	30 000	30 000
	$300 000	$330 000

3. Fixed assets

	1988			1987
	Cost	Accumulated depreciation	Net worth	Net worth
Office furniture	$68 962	$39 530	$29 432	$21 133
Rolling stock	19 838	10 117	9 721	14 540
Computer hardware and software	73 585	32 862	40 723	12 437
	162 385	82 509	79 876	48 110
Pari-mutuel management system				1
	$162 385	$82 509	$79 876	$48 111

Depreciation is calculated using the diminishing balance method at the annual rates of 20% for office furniture and 30% for rolling stock and the data processing system.

4. Capital stock

Authorized:
Unlimited number of common shares
with a par value of $10 each

	1988	1987
Issued:		
1 common share	$10	$10

5. Actuarial reserve for financial aid to racecourses

A number of programs administered by SODIC Québec Inc. include agreements under which the company grants racecourses financial aid subject to the realization of specific projects. Certain amounts provided for in budgets and agreements were not paid during the year, either because the racecourses postponed the particular projects or because projects were abolished and replaced. SODIC Québec decided to use part of its accumulated surplus as a reserve for projects which were approved but unrealized at year-end. Breakdown by program at March 31 is as follows:

	1988	1987
Program for financial aid to the industry		
Assistance for the development of racetracks		$457 326
Promotion and advertising		15 064
Communications and marketing strategy	$315 000	
Assistance for racecourse management Blue Bonnets	200 000	
Assistance for replacement of and improvement to racecourse property and equipment	4 457 500	
Assistance for professional services in connection with the above program	44 497	
Assistance (discharge from paying interest) for financing facilities according to the program submitted by each racecourse	435 300	
	5 452 297	472 390
Bursary program		
Additional bursaries		156 185
	$5 452 297	$628 575

6. Future liability

A former employee has filed a $567 019 lawsuit against the company. SODIC Québec believes the basis of its defence to be well-founded and has, therefore, recorded no attendant liability. Any future liability resulting from the lawsuit will be recorded as expenditure for the fiscal year then in progress.

7. Contractual commitment

The company is committed under a five-year-three-month lease beginning March 31, 1988. The minimum rent payable under the lease is $540 384. Minimum payments for the next five fiscal years are $102 930 a year.

8. Subsequent event

Effective March 31, 1988, the duties and powers relating to horse racing currently assumed by SODIC Québec Inc will be transferred to the Commission des courses de chevaux du Québec and the Québec Minister of Agriculture, Fisheries and Food.

Under the Act respecting horse racing, passed by the National Assembly on December 18, 1987, the Minister of Agriculture, Fisheries and Food acquired the rights of SODIC Québec Inc. and assumed its obligations with respect to promotion of racehorse breeding in Québec. The Commission acquired the remaining rights of SODIC Québec Inc. and assumed the remaining obligations.

9. Comparative figures

Certain figures from 1987 have been reclassified for consistency with the presentation adopted in 1988. In addition, the 1987 figures have been audited by a different accounting firm than Mallette, Benoit, Boulanger, Rondeau.

PROGRAM-RELATED ACTIVITIES
for the fiscal year ended March 31, 1988

SCHEDULE A -- EVENTS ORGANIZED BY SODIC QUÉBEC INC.

The company collects agent's fees from racehorse owners and racecourses for the events it organizes. These fees are added to the bursaries earmarked in its budgets. Sums paid by racehorse owners include registration fees for each event -- also referred to as starting fees -- and annual registration fees, also known as "nomination fees" and "support charges". Programs break down as follows:

	1988	1987
CIRCUIT "A"		
Sodic bursaries	$2 525 000	$2 525 000
Annual registrations	190 030	275 940
Starting fees	594 570	517 500
Share of racetrack	139 200	118 000
	3 448 800	3 436 440
CIRCUIT "B"		
Sodic bursaries	699 000	699 000
Annual registrations	178 000	148 550
Starting fees (collected by racecourses)	121 200	108 600
Share of racetrack	49 500	44 350
	1 047 700	1 000 500
PERFECTA SERIES		
Sodic bursaries	675 000	675 000
Annual registrations	139 900	171 800
Starting fees	171 180	160 100
Share of racetrack	45 350	46 100
	1 031 430	1 053 000
BREEDERS' CUP		
Sodic bursaries	400 000	400 000
Annual registrations	218 200	189 000
Starting fees	99 000	120 000
Share of racetrack	100 000	100 000
	817 200	809 000
	$6 345 130	$6 298 940

The breakdown of these amounts by source is as follows:

	1988	1987
Sodic Québec Inc. bursaries	$4 299 000	$4 299 000
Fees collected from racehorse owners	1 712 080	1 691 490
Fees collected from racecourses	334 050	308 450
	$6 345 130	$6 298 940

PROGRAM-RELATED ACTIVITIES (cont'd)
for the fiscal year ended March 31, 1988

SCHEDULE B -- OTHER EVENTS

Programs other than Circuit A, Circuit B, Perfecta Series and the Breeders' Cup include the following items:

	1988	1987
BURSARIES		
Additional bursaries	$3 116 084	$1 271 113
Regional exhibitions	58 500	60 000
	$3 174 584	$1 331 113
PREMIUMS		
Premiums to breeders and others	$357 088	$351 078
FINANCIAL AID TO THE INDUSTRY		
Aid to racecourses		$265 358
Aid to replace and improve fixed assets	$42 500	
Promotion and advertising	388 537	273 864
Communications and marketing study	40 717	
Registration centre	3 059	2 372
Research on horses	30 000	30 000
Judges services -- Circuit "C"	4 542	4 903
Task force (Mireault Report)		23 334
	$509 355	$599 831

ADDITIONAL INFORMATION
for the fiscal year ended March 31, 1988

SCHEDULE C -- ADMINISTRATIVE EXPENSES

	1988	1987
Wages, salaries and fringe benefits	$312 784	$363 760
Professional fees	170 846	40 172
Travel	12 234	25 000
Conventions, meetings and training	13 288	10 375
Promotion, advertising and representation	16 198	23 283
Office and communications equipment	18 845	18 470
Rent	63 558	59 637
Insurance and taxes	11 905	13 003
Stationery and miscellaneous expenses	20 475	22 172
Bad debts	10	1 510
	$640 143	$577 382

AUDITORS' REPORT

To the shareholder of
Sodic Québec Inc.

We have examined the balance sheet of Sodic Québec Inc. as at March 31, 1988 and the statements of operating results, accumulated surpluses and change in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. We obtained all explanations and other information we requested.

From the information and explanations provided to us and based on the information contained in the company's books, in our opinion these financial statements present fairly the financial position of Sodic Québec Inc. at March 31, 1988, and the results of its operations and change in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mallette, Benoit, Boulanger, Rondeau
Chartered Accountants

Québec, April 27, 1988

2332-7190 QUÉBEC INC.

OPERATING RESULTS AND DEFICIT
for the 10½-month fiscal period ended December 31, 1987

	1987
	(10 ½ months)
SALES	$12 158
COST OF SALES	97 301
GROSS LOSS	(85 143)
OPERATING EXPENSES	
Selling expenses	22 482
Administrative expenses	8
Carrying charges	42
	22 532
OPERATING LOSS	(107 675)
OTHER REVENUE (Interest)	42 891
LOSS BEFORE INTEREST IN OPERATING RESULTS OF THE SUBSIDIARY	(64 784)
INTEREST IN OPERATING RESULTS OF A SUBSIDIARY	1
NET LOSS AND DEFICIT	$(64 785)

The additional information is an integral part of the financial statements.

2332-7190 QUÉBEC INC.

CHANGE IN FINANCIAL POSITION
for the 10½-month fiscal period ended December 31, 1987

	1987
	(10 ½ months)
OPERATING ACTIVITIES	
Loss before interest in operating results of the subsidiary	$(64 784)
Interest in operating results of the subsidiary	(1)
	(64 785)
Net change in non-cash items of working capital	(289 767)
Funds allocated to operating activities	(354 552)
FINANCING ACTIVITIES	
Issue of category "A" shares	1
Contributed shareholder surplus	1 421 802
Funds generated by financing activities	1 421 803
INVESTMENT ACTIVITIES	
Investment acquisition	(300 000)
Funds allocated to investment activities	(300 000)
CLOSING LIQUID ASSETS	$767 251

2332-7190 QUÉBEC INC.

BALANCE SHEET
as at December 31, 1987

	1987
	(10 ½ months)
ASSETS	
CURRENT ASSETS	
Cash	$17 251
Term deposits	750 000
Accounts receivable (Note 3)	107 683
Inventories (Note 4)	182 084
	1 057 018
RECEIVABLE FROM MULTI-PÊCHES INC. (Note 5)	300 000
INVESTMENT (Note 6)	
	$1 357 018
SHAREHOLDER EQUITY	
Capital stock (Note 7)	$1
Contributed surplus (Note 8)	1 421 802
Deficit	(64 785)
	$1 357 018

On behalf of the Board of Directors,

Terence Griffin, Director
Lucien Biron, Director

NOTES TO FINANCIAL STATEMENTS
at December 31, 1987

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1. Constitution

This joint-stock company was incorporated under Part IA of the Québec Companies Act under the corporate name of LES PLACEMENTS DU CAP INC.. The name was changed to 2332-7190 QUÉBEC INC. on April 24, 1987.

2. Main accounting policies

a) Inventories

Inventories of finished goods are valuated at the lesser of cost price (average cost method) and net realization value.

Inventories of supplies and packaging are valued at the lesser of cost price (FIFO method) and net realization value.

b) Translation of accounts in foreign currency

The balance of accounts and transactions in foreign currency is translated into Canadian dollars as follows:

- Foreign currency and amounts denominated in foreign currency which are owed or receivable by the company are adjusted according to the exchange rate in effect on the date of the balance sheet.
- Remaining assets and liabilities are translated at the exchange rate in effect on the date of acquisition.
- Revenue and expenditure stemming from operations concluded in foreign currency are translated into Canadian dollars at the average rate of exchange for the period in question.

c) Non-consolidated financial statements

These financial statements have been prepared solely for administrative purposes. Holdings in the subsidiary "Crustacés des Îles Inc." have been recorded at equity value and the financial statements comply with generally accepted accounting principles, with the exception that they have not been consolidated.

Consolidation of the sole subsidiary, "Les Crustacés des Îles Inc.", would not inform shareholders satisfactorily given 2332-7190 Québec Inc.'s firm intention to dispose of its holdings in the above company.

d) Income tax

2332-7190 Québec Inc. is exempt from income tax under section 985 of the Québec Taxation Act and section 149(1) (d) of the federal Income Tax Act.

3. Accounts receivable

Dividend receivable from the trustee in bankruptcy of Pêcheurs Unis du Québec	$82 957
Other accounts receivable	569
Receivable from the subsidiary Crustacés des Îles Inc.	24 157
	$107 683

4. Inventories

Supplies and packaging	$120 000
Equipment	62 084
	$182 084

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5. Receivable from Multi-Pêches Inc.

Balance on sale price of certain assets, guaranteed by a trust agreement covering a specific charge, floating charge and second commercial pledge on all goods sold and a number of other assets. Such guarantees are, however, subject to guarantees required by the long-term financing by the purchaser on a maximum amount of $750 000, repayable in yearly instalments, the amount of which will at most be increased by 20% of purchaser's net profit from operations of assets sold or $30 000, the first instalment being payable May 1, 1989, at an interest rate of 8%	$300 000

6. Investment

100% of stock in the subsidiary "Les Crustacés des Îles Inc.", unconsolidated at cost	—

7. Capital stock

a) The company issued 1 category "A" share for a consideration of $1.

b) Authorized:

Unlimited number of category "A", no par value, voting shares

Unlimited number of category "B", no par value, non-voting shares, preferred dividend over other, non-cumulative share categories, at respective minimum and maximum rates of 1% and 12% per year, redeemable at the company's wish or that of the first shareholders only

Unlimited number of category "C", no par value, non-voting shares, preferred dividend over category "A", non-cumulative shares, at respective minimum and maximum rates of ½% and 12% per year, redeemable at the company's wish or that of the senior shareholders only

Issued and payable on call:

1 category "A" share	$1

8. Contributed surplus

A contributed surplus of an initial amount of $1 570 579 representing two assignments of accounts receivable in favour of the company has been decreased by $148 777 to account for adjustments on the privatization of the Grande-Entrée plant.

9. Contingent liabilities

Following the sale of Madelipêche Inc. stock, the present company committed itself to assuming liability for the following lawsuits filed against Madelipêche Inc. as at February 13, 1987.

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9. Contingent liabilities (cont'd)

1. Plaintiff action

a) Lawsuit

In February 1985, action for damage and interest in the amount of $3 581 173 was filed with the Superior Court of Québec against a lending institution and an accounting firm. This suit is difficult to evaluate since the decision rendered will determine which party is liable. However, any dividend that the company collects following the bankruptcy of Pêcheurs Unis du Québec will decrease the total action filed against the defendants. The amount resulting from the outcome of this case will be charged to operating results for the fiscal year then in progress.

2. 2332-7190 Québec Inc. is the defendant in the following lawsuits

a) In 1986, legal action in the amount of $55 399 was taken by a fisherman formerly employed by the company following the payment of a bonus in 1983.

The company believes in the cogency of its defence and continues to assert its rights before the courts. In the opinion of the company's legal advisors, it is currently impossible to assess either the outcome of the case or any amount the company may be called on to pay. Consequently, no provisin has been included in the intial balance sheet and any expense incurred as a result of the outcome of the case will be charged to operating results for the fiscal year then in progress.

b) In 1986, a $108 000 lawsuit was filed against the company by a senior executive claiming an illegal and unjustified dismissal.

The company believes in the cogency of its defence and continues to assert its rights before the courts. In the opinion of the company's legal advisors, it is currently impossible to assess either the outcome of the case or any amount the company may be called on to pay. Consequently, no provision has been included in the initial balance sheet and any expense incurred as a result of the outcome of the case will be charged to operating results for the fiscal year then in progress.

c) In 1986, a lawsuit in the amount of $23 000 was filed against the company by a fisherman claiming an illegal dismissal.

The company believes in the cogency of its defence and continues to assert its rights before the courts. In the opinion of the company's legal advisors, it is currently impossible to assess either the outcome of the case or any amount the company may be called on to pay. Consequently, no provision has been included in the initial balance sheet and any expense incurred as a result of the outcome of the case will be charged to operating results for the fiscal year then in progress.

10. Subsequent event

On May 11, 1988, management learned that the company owing a balance of $300 000 on the sale price is experiencing serious financial difficulties.

2332-7190 QUÉBEC INC.

ADDITIONAL INFORMATION
at December 31, 1987

	1987 (10 ½ months)
COST OF SALES	
Opening inventories	$14 145
Production cost	83 156
Closing inventories	
	$97 301
PRODUCTION COST	
Raw materials	
Opening inventories	$203 156
Purchases	
Closing inventories	(120 000)
	$83 156
SELLING EXPENSES	
Transportation expenses	$12 790
Storage costs	4 900
Salaries and wages	4 792
	$22 482
ADMINISTRATIVE EXPENSES	
Office supplies and stationery	$8
CARRYING CHARGES	
Bank interest	$42

2332-7190 QUÉBEC INC.

AUDITORS' REPORT

To the members of the Board of Directors of
2332-7190 QUÉBEC INC.

We have examined the unconsolidated balance sheet of 2332-7190 Québec Inc. as at December 31, 1987 and the unconsolidated statements of operating results and deficit and change in financial position for the 10½-month fiscal period then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures that we considered necessary in the circumstances. We obtained all the explanations and information we requested.

From the information and explanations provided to us and based on the information contained in the company's books, in our opinion these unconsolidated financial statements present fairly the real and exact financial position of the 2332-7190 Québec Inc. at December 31, 1987 as well as the results of its operations and change in financial position for the 10½-month fiscal period then ended, in accordance with generally accepted accounting principles and, except for the fact that they have not been consolidated, as mentioned in Note 2, these accounting principles have been applied on a basis consistent with that of the preceding year.

Corbeil, Boudreau
Chartered Accountants

Cap-aux-Meules, March 15, 1988
(and May 11, 1988 for Note 10)